BR-NGTL-001(a)

Issue:

Operating Costs

Reference:

Revenue Requirement Summary, page 2 of 3, lines 22-24, Section 2.1.2

Preamble:

From 2000 to 2002, capital expenditures levels were lower with a corresponding decrease in rate base and capital-related costs. Operating Costs have continued to decrease even with the addition of approximately $44 million of indirect costs that were previously capitalized.

Request:

Please give the main drivers behind the reduction in operating costs between 2000 and 2002. Please provide a numerical year-over-year reconciliation.

Response:

The requested information is provided in Attachment BR-NGTL-001(a).

REVENUE REQUIREMENT
OPERATING COSTS
RECONCILIATION FOR THE YEARS
2000, 2001 AND 2002
($ Millions)

Line No.	Particulars	2000		2001	2002
	(a)	(b)		(c)	(d)
1	Operating Costs as per Schedule 2.1.2	233.2		175.5	199.8
2	Less: Other Post Employment Benefits and Other	(3.0)		(2.8)	(3.8)
3	Operating Costs	230.2	(1)	172.7	196.0
4	Merger Costs and Benefits Savings:(2)				
5	Business Process/ Regional consolidations	(37.0)			
6	Compression programs	1.0			
7	Calgary Office Rent	(10.0)			
8	Other, net	(4.5)			
9	Net Operating Costs	179.7		172.7	196.0
10	Changes 2001 vs 2000:				
11	Capitalized Indirect Costs	21.6			
12	Business Process/ Regional Consolidations	(4.4)			
13	Repairs & Overhauls	(4.5)			
14	Information Systems	(18.6)			
15	Other, net	(1.1)			
16	2001 Net Operating Costs as per Line 9, column (c)	172.7			
17	Changes 2002 vs 2001:				
18	Capitalized Indirect Costs			22.0	
19	Repairs & Overhauls			(4.5)	
20	Electric Utility			(3.0)	
21	Inventory Management			1.5	
22	Rent Expense			2.8	
23	Information Systems			2.9	
24	Long Term Incentive Compensation			6.0	
25	Insurance			1.5	
26	Other, net			(5.9)	
27	2002 Net Operating Costs as per Line 9, column (d)			196.0	

Notes:

(1) 1998 Baseline Operating Costs amount as per Merger Costs and Benefits Agreement.

(2) As per Merger Costs and Benefits Reporting Section 14(e) - TTP/TTF April 19, 2001.

BR-NGTL-001(b)

Issue:

Operating Costs

Reference:

Revenue Requirement Summary, page 2 of 3, lines 22-24, Section 2.1.2

Preamble:

From 2000 to 2002, capital expenditures levels were lower with a corresponding decrease in rate base and capital-related costs. Operating Costs have continued to decrease even with the addition of approximately $44 million of indirect costs that were previously capitalized.

Request:

How much of these reductions were related to a decrease in rate base over this time period?

Response:

The decline in rate base during this period is primarily due to depreciation expense in excess of net capital additions. The “capital-related costs” referred to in this section are principally depreciation, operating return, and income taxes.

BR-NGTL-001(c)

Issue:

Operating Costs

Reference:

Revenue Requirement Summary, page 2 of 3, lines 22-24, Section 2.1.2

Preamble:

From 2000 to 2002, capital expenditures levels were lower with a corresponding decrease in rate base and capital-related costs. Operating Costs have continued to decrease even with the addition of approximately $44 million of indirect costs that were previously capitalized.

Request:

What are the indirect costs referred to that were previously capitalized? Please provide the date when these costs were no longer capitalized.

Response:

The amount of indirect costs capitalized in a year was previously referred to as the Capitalization Amount. These indirect costs include indirect labour and overhead costs supporting the capital program that, due to administrative difficulty, could not be charged directly to individual capital projects. Examples of indirect labour include capital support from System Design & Operations Management, Operations & Engineering Services, Regulatory Strategy, and Corporate areas. Examples of indirect overhead include items such as rent, telephone, and utilities.

These indirect costs were no longer capitalized as of January 1, 2002. One of the components of the Alberta System Revenue Requirement Settlement 2001 – 2002 (ASRRS) was the phasing out of the Capitalization Amount. Article 9.2 of the ASRRS specified that the Capitalization Amount would decrease from $43.6 million in 2000 to $22 million in 2001 and then to zero in 2002.

BR-NGTL-001(d)

Issue:

Operating Costs

Reference:

Revenue Requirement Summary, page 2 of 3, lines 22-24, Section 2.1.2

Preamble:

From 2000 to 2002, capital expenditures levels were lower with a corresponding decrease in rate base and capital-related costs. Operating Costs have continued to decrease even with the addition of approximately $44 million of indirect costs that were previously capitalized.

Request:

Please give the annual impact of these indirect costs when capitalized.

Response:

The annual impacts of capitalized indirect costs include:

- an increase to average rate base
- a reduction in operating costs
- an increase in operating return
- an increase in depreciation expense
- an increase in income and capital taxes

The following is a simplified numerical illustration of these impacts:

$ (Millions)	**2000**	**2001**	**2002**
Capitalized Indirect Costs	+ 44	+ 22	-
Cumulative Average Ratebase Impact(1)	+ 22	+55	+66
Operating Costs	- 44	- 22	-
Revenue Requirement(2)	- 39	- 10	+13

(1) Excludes accumulated depreciation
(2) Includes an estimate for return, depreciation, and income tax

BR-NGTL-001(e)

Issue:

Operating Costs

Reference:

Revenue Requirement Summary, page 2 of 3, lines 22-24, Section 2.1.2

Preamble:

From 2000 to 2002, capital expenditures levels were lower with a corresponding decrease in rate base and capital-related costs. Operating Costs have continued to decrease even with the addition of approximately $44 million of indirect costs that were previously capitalized.

Request:

How are these indirect costs now treated? If there is any annual impact please state this amount starting from the year 2000.

Response:

These indirect costs are no longer capitalized as of January 1, 2002 and now remain in Operating Costs. Please refer to the response to BR-NGTL-001(d) for the annual impact in 2000, 2001 and 2002 of capitalizing indirect costs.

BR-NGTL-002(a)

Issue:

Operating Costs

Reference:

Revenue Requirement, Schedule 2.1.2, Sheet 1 of 1, Section 2.1

Preamble:

The Board is trying to understand the reasons behind the changes in operating costs from the year 2000. In reviewing Schedule 2.1.2 the year 2001 saw a decrease of more than $57 million in operating costs over 2000. The year 2002 saw an increase of $24 million over 2001.

Request:

Please explain these changes year-over-year itemizing the main drivers and the approximate change in operating costs in $million attributed to each one.

Response:

Please refer to the response to BR-NGTL-001(a).

BR-NGTL-002(b)

Issue:

Operating Costs

Reference:

Revenue Requirement, Schedule 2.1.2, Sheet 1 of 1, Section 2.1

Preamble:

The Board is trying to understand the reasons behind the changes in operating costs from the year 2000. In reviewing Schedule 2.1.2 the year 2001 saw a decrease of more than $57 million in operating costs over 2000. The year 2002 saw an increase of $24 million over 2001.

Request:

Is the decrease in 2001, and subsequent increase in 2002 attributed, in part, to the merger of TransCanada Pipelines and NGTL, and if so how much of this impact is attributed to the operating costs for each year? Please breakdown the major categories within merger costs.

Response:

The Operating Costs for 2000 are reported including the Baseline amount of $230.2 million prescribed in the Merger Costs and Benefits Agreement. Actual Operating Costs for the same time period, net of capitalized indirect costs, are $179.7 million (Attachment BR-NGTL-001(a), Line 9). The primary reasons for the changes in Operating Costs during this period, excluding the reduction in the amount of capitalized indirect costs, are identified in Attachment BR-NGTL-001(a), Lines 5 to 8. The effect of the merger would be included in, but cannot be isolated from, these variances.

BR-NGTL-003 **REVISED February 2004**

Issue:

Operating Costs, Indirect Capitalization

Reference:

Rate Base and Revenue Requirement, Schedule 2.1.2, sheet 1 of 1, and
Figure 2.3-1 Operating Cost History, Section 2.1 and 2.3

Preamble:

The Board is of the understanding that indirect capitalization and operating costs as shown on Schedule 2.1.2 have been added together to present Figure 2.3-1.

Request:

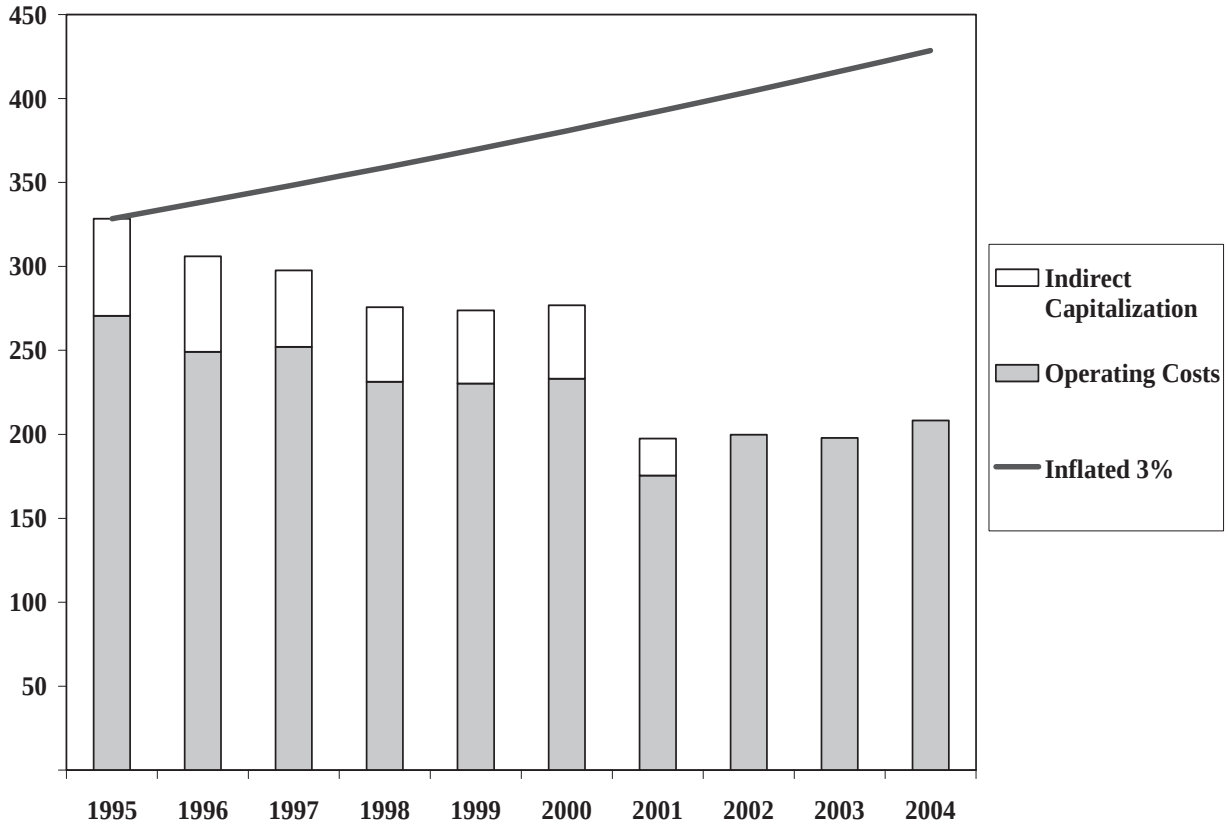
Please provide Figure 2.3-1 with the amount due to indirect capitalization highlighted or removed.

Response:

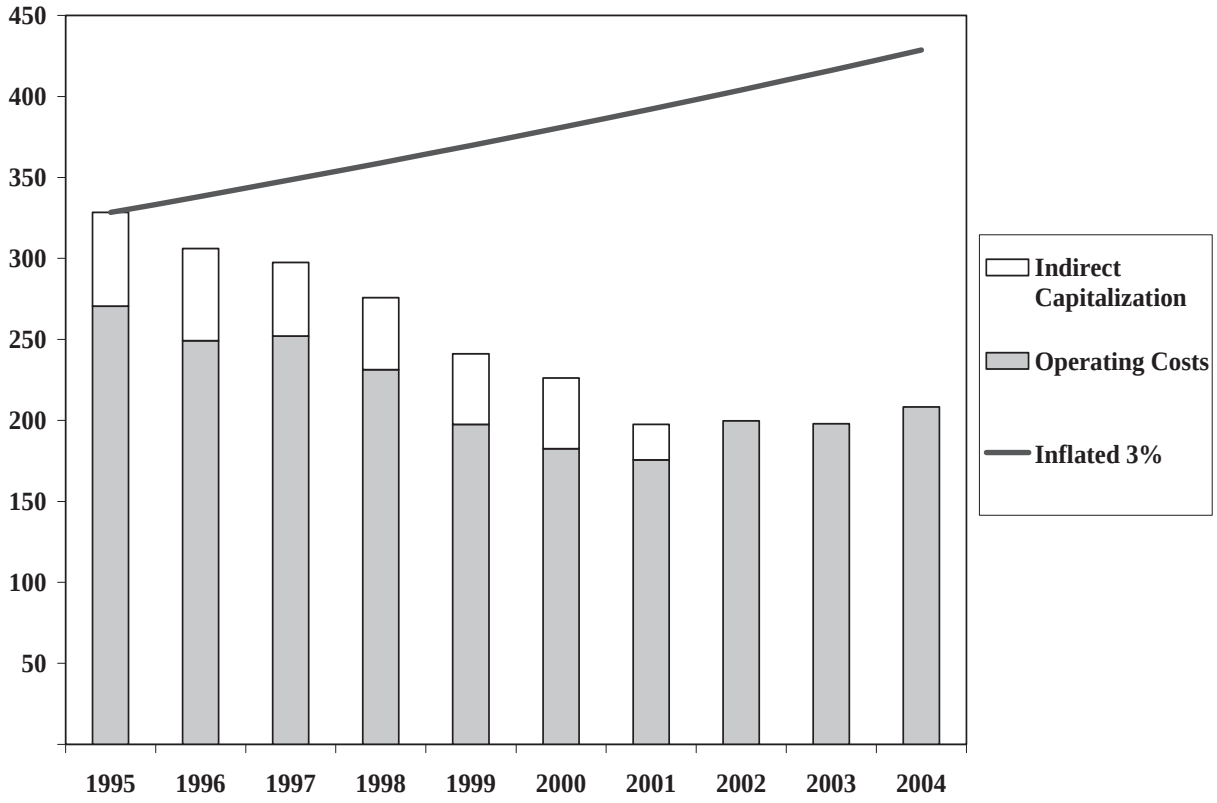
The 2003 actual and 2004 forecast Operating Costs have been revised as per the February 2004 Update. Figures 2.3-1 (Revision 1) and 2.3-1 (Revision 2) have been revised accordingly.

Please see Figure 2.3-1 (Revision 1) and Figure 2.3-1 (Revision 2) below.- Figure 2.3-1 (Revision 1) provides the data as requested. Figure 2.3-1 (Revision 2) shows 1999 and 2000 actual Operating Costs rather than the Baseline amounts as defined in the Merger Costs and Benefits Agreement and collected in the revenue requirement in those years.

Revised Figure 2.3-1 (Revision 1)
Operating Cost History
($ millions)



Revised Figure 2.3-1 (Revision 2)
Operating Cost History
($ millions)



BR-NGTL-004

Issue:

Operating Costs

Reference:

Operating Costs, pages 3 and 4, Section 2.3

Preamble:

NGTL states, "operating cost reductions that have been achieved since 1995 are reflective of widespread efforts throughout the organization to improve efficiency and maximize cost savings". Various cost reduction initiatives undertaken by NGTL are then listed on the following page.

Request:

Please list the referenced initiatives while including the date or time period that operational savings were realized, and the approximate annual cost reduction for each year the savings is in place.

Response:

NGTL continues to realize cost savings from each of the programs or initiatives listed in Operating Costs, page 4 of 4, Section 2.3. NGTL does not track the cumulative cost savings for these initiatives or programs. Instead, NGTL monitors Operating Cost performance at the department and program level and continues to focus on reducing costs while operating and maintaining a safe and reliable system.

The following table lists the programs or initiative and the year they were implemented.

BR-NGTL-004

Program	Year initiated
Risk based maintenance program (Pipeline)	Prior to 1995
Risk based maintenance program (C/S and M/S)	1996
Computerized maintenance management system	2000
Implementation of technologies	Prior to 1995
Centralized order and dispatch system	2000
National alliances with third party providers	1996
Organizational adjustment	Prior to 1995
Single call centre for shippers	2001

Please refer to the response to CAPP-NGTL-010(a) for examples of the costs savings realized for each of these initiatives or programs in 2003.

BR-NGTL-005(a)

Issue:

Operating Costs (Inflation Factor)

Reference:

Operating Costs, page 2 of 4, line 10, Section 2.3.

Preamble:

The Board would like to clarify the reasons behind the use of a three percent inflation factor applied to operating costs.

Request:

What sources of information were used in the calculation of the three percent inflation factor?

Response:

The use of a three percent inflation factor was purely to illustrate that the costs referred to in Figure 2.3-1 are nominal dollars, and do not otherwise reflect the inflationary costs that have been absorbed during this time period. This inflation rate was selected judgmentally and may not be representative of the actual cost inflation incurred by NGTL in each year.

BR-NGTL-005(b)

Issue:

Operating Costs (Inflation Factor)

Reference:

Operating Costs, page 2 of 4, line 10, Section 2.3.

Preamble:

The Board would like to clarify the reasons behind the use of a three percent inflation factor applied to operating costs.

Request:

What was the weight placed on each of the sources when determining the three percent inflation factor?

Response:

Please refer to the response to BR-NGTL-005(a).

BR-NGTL-006

Issue:

Audit Fees

Reference:

Operating Expenses, page 22 of 27, line 18, Section 2.3.1.8.

Preamble:

NGTL has stated that the increase in audit fees from 2003 is attributable to additional corporate governance reviews driven by the Sarbanes-Oxley Act.

Request:

What are the Canadian requirements of the Sarbanes-Oxley Act as they impact NGTL?

Response:

The Sarbanes-Oxley Act is United States legislation which requires the Securities Exchange Commission to make rules regarding additional financial review and disclosure. It applies to NGTL as the company issues securities in the United States. Section 404 of the Act specifically requires management to include, as part of the company's annual report, an assessment of the company's internal control structure at the end of each fiscal year. Further, the company's external auditor must attest to, and report on, the assessment of the internal control structure made by management. The increase in audit fees from 2003 reflects this additional work required of the external auditor.

BR-NGTL-007(a)

Issue:

Determination of Full Time Equivalent (FTE)

Reference:

Operating Cost Allocation Policy, page 2 of 5, Section 2.3.

Preamble:

The Board would like to better understand the determination of FTEs.

Request:

Does the calculation of the enterprise full-time equivalent or head office full-time equivalent incorporate a vacancy rate? Please explain how this is or is not incorporated.

Response:

Actual FTE calculations include only positions for which there are corresponding salary costs. As a result, they exclude vacant positions.

A vacancy rate was also not directly applied in calculating the 2003 forecasted FTE or the 2004 budget FTE amounts. However, individual department managers budget only for required resources, including anticipated absences. Any unplanned absences may ultimately be offset by the requirement for temporary resources.

BR-NGTL-007(b)

Issue:

Determination of Full Time Equivalent (FTE)

Reference:

Operating Cost Allocation Policy, page 2 of 5, Section 2.3.

Preamble:

The Board would like to better understand the determination of FTEs.

Request:

What is the vacancy rate for the year 2002 and forecasts for the years 2003-2004?

Response:

NGTL does not specifically track vacancy rates. Please refer to the response to BR-NGTL-007(a).

BR-NGTL-008 **REVISED February 2004**

Issue:

Directors' Fees and Expenses

Reference:

Operating Expenses, page 25 of 27, and Table 2.3.2-2, Section 2.3.1.8 and 2.3.2.

Preamble:

NGTL states that directors' fees and expenses include NGTL's allocation of the remuneration and expenses of TransCanada's Board of Directors. The increase being in this account being attributed to a 7% increase in director related costs at the TransCanada level.

Request:

Please provide a list of items included in director related costs, and their individual increases if any.

Response:

~~The individual components of NGTL costs are outlined below. The increase in Deferred Share Units cost in 2004 is mainly due to additional share units granted and a change in the estimated share price on all outstanding units. The 7% increase in the narrative was misstated and should read 13%. The increase in Director's Fees and Expenses was due to a 13% increase in director related costs at the TransCanada level and a 15% increase in the portion allocated to NGTL~~As per the February 2004 Update, the individual components of director-related costs are outlined below. The costs increase by 6% to $0.6 million when compared to 2003.

BR-NGTL-008 **REVISED February 2004**

Particulars ($ Thousands)	**Base Year 2002**	**Increase (Decrease)**	**~~Forecast Year~~Actual 2003**	**Increase (Decrease)**	**Test Year 2004**
Board Retainers / Meeting Fees	216	~~0~~31	~~216~~ 247	~~(12)~~ (43)	204
Expenses	88	~~32~~ (1)	~~120~~ 87	~~39~~ 72	159
Deferred Share Units	201	~~(82)~~ 26	~~119~~ 227	~~111~~ 3	230
Total Directors' Fees & Expenses	505	~~(50)~~ 56	~~455~~ 561	~~138~~ 32	593

BR-NGTL-009 **REVISED February 2004**

Issue:

Management and Directors' Fees and Expenses

Reference:

Operating Expenses, Table 2.3.2-2, Section 2.3.2.

Preamble:

Table 2.3.2-2 shows various job families compared against a market comparator group.

Request:

Please provide a further breakdown of the Manager to CEO family to segregate the difference between management, senior management and directorship.

Response:

Below is the updated Table 2.3.2-2, which has been updated to reflect the 2003 Competitive Compensation Analysis by Job Family completed by Towers Perrin and provided in the February 2004 Update. ~~Please note that the Average TCPL Actual TDC ($) and the variance to market have been updated to reflect a revised analysis that was completed by Towers Perrin on March 3, 2003 due to an initial data submission error, but was not included in the Application.~~

Director fees are not included in the analysis.

BR-NGTL-009 **REVISED February 2004**

Revised Table 2.3.2-2

Summary of TCPL TDC vs. Comparator Group TDC by Job Family
~~2002~~2003

Job family	Average TCPL Actual TDC ($)	Average Market 50th Actual TDC ($)	Variance to Market
Vice President to CEO[1]	~~579,443~~585,693	~~425,750~~460,112	~~33.2%~~ 27.3%
Management	~~183,718~~187,408	~~211,197~~196,497	~~-13.0%~~ -4.6%
Accounting	~~82,995~~85,943	~~83,361~~86,722	~~-0.5%~~ -0.9%
Secretarial, Clerical, Administrative Assistants	~~51,995~~53,538	~~55,861~~51,250	~~-7.0%~~ 4.5%
Engineering	~~102,625~~107,064	~~107,186~~105,103	~~-4.3%~~ 1.9%
Human Resources	~~83,111~~91,266	~~78,875~~82,928	~~5.4%~~ 10.1
Information Systems	~~81,991~~85,424	~~86,951~~83,313	~~-5.7%~~ 2.5%
Safety and Environment	~~92,195~~94,271	~~88,273~~95,153	~~4.4%~~ -0.9%
Procurement	~~81,723~~85,235	~~77,478~~76,108	~~5.5%~~ 12.0%

[1] The data for Vice President to CEO excludes data for executives not working on regulated pipeline business.

BR-NGTL-010

Issue:

Operating Expenses (Total Direct Compensation and Benefits, Benefits)

Reference:

Operating Expenses, page 13 of 15, line 18, Section 2.3.2.

Preamble:

The Board would like to further explore employee benefits.

Request:

What is the formula used to determine the level of benefits associated with each employee?

Response:

The 2004 FlexComp Formula for each employee is: 4.6 percent of base salary + $1,275.

BR-NGTL-011(a)

Issue:

Rate Base Summary

Reference:

Schedule 3.1 Section 3.0.

Preamble:

The Board would like to explore the historical rate base figures.

Request:

Please provide Schedule 3.1, Rate Base Summary for the years 2000 and 2001.

Response:

The requested information is provided in Attachment BR-NGTL-011(a).

RATE BASE SUMMARY[1]

FOR THE YEAR ENDED DECEMBER 31, 2000
($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 AVERAGE	TOTAL
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
1	Opening Gas Plant In Service		7,096,995	7,096,635	7,144,802	7,152,232	7,154,909	7,158,556	7,173,932	7,179,653	7,180,665	7,186,886	7,191,259	7,187,953		
2	Additions		(360)	48,167	7,430	2,677	3,646	15,376	7,841	1,075	16,883	19,307	7,235	52,484		181,761
3	Retirements		-	-	-	-	-	-	(2,119)	(63)	(10,662)	(14,934)	(10,541)	(41,504)		(79,823)
4	Gas Plant In Service	7,096,995	7,096,635	7,144,802	7,152,232	7,154,909	7,158,556	7,173,932	7,179,653	7,180,665	7,186,886	7,191,259	7,187,953	7,198,933	7,161,801	
5	Opening Accumulated Depreciation		1,907,237	1,928,384	1,949,068	1,969,895	1,990,744	2,011,602	2,032,470	2,052,626	2,073,857	2,084,202	2,090,147	2,102,253		
6	Depreciation Expense		20,685	20,684	20,827	20,849	20,857	20,868	20,913	20,936	20,940	20,989	21,045	21,067		250,660
7	Retirements		462	-	-	-	-	-	(757)	295	(10,595)	(15,045)	(8,939)	(40,272)		(74,850)
8	Accumulated Depreciation	1,907,237	1,928,384	1,949,068	1,969,895	1,990,744	2,011,602	2,032,470	2,052,626	2,073,857	2,084,202	2,090,147	2,102,253	2,083,047	2,021,195	
9	Net Gas Plant In Service	5,189,757	5,168,251	5,195,735	5,182,337	5,164,165	5,146,954	5,141,462	5,127,027	5,106,808	5,102,684	5,101,112	5,085,700	5,115,886	5,140,606	
10	Cash Working Capital	3,520	3,520	3,520	3,520	3,520	3,520	3,520	3,520	3,520	3,520	3,520	3,520	3,520	3,520	
11	Materials and Supply Inventory	30,941	30,963	31,061	31,225	31,237	31,233	31,215	31,218	31,218	31,222	31,273	31,263	31,164	31,172	
12	Linepack Gas	22,160	22,160	23,344	23,344	23,344	23,344	22,439	22,439	22,439	22,439	22,439	22,439	26,748	23,006	
13	Unamortized Capital Assets	25,604	26,314	25,930	25,769	25,664	24,682	23,524	21,181	21,410	20,839	17,509	16,620	8,507	21,812	
14	**Rate Base**	5,271,982	5,251,207	5,279,590	5,266,195	5,247,930	5,229,733	5,222,160	5,205,386	5,185,396	5,180,703	5,175,854	5,159,542	5,185,824	5,220,115	

[1] Includes Base Rate Base, Cumulative Capacity Capital Rate Base, and Deferred Capacity Capital Rate Base.

RATE BASE SUMMARY[1]

FOR THE YEAR ENDED DECEMBER 31, 2001
($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 AVERAGE	TOTAL
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)
1	Opening Gas Plant In Service		7,198,933	7,213,811	7,217,947	7,274,879	7,286,024	7,262,620	7,266,516	7,265,469	7,264,868	7,272,874	7,281,136	7,288,446		
2	Additions		15,242	4,136	57,187	12,004	16,368	3,899	8,294	5,008	8,872	12,148	7,415	15,662		166,235
3	Retirements		(364)	-	(255)	(858)	(39,772)	(4)	(9,341)	(5,609)	(865)	(3,886)	(106)	(53,907)		(114,967)
4	Gas Plant In Service	7,198,933	7,213,811	7,217,947	7,274,879	7,286,024	7,262,620	7,266,516	7,265,469	7,264,868	7,272,874	7,281,136	7,288,446	7,250,200	7,257,209	
5	Opening Accumulated Depreciation		2,083,047	2,106,342	2,130,328	2,154,048	2,177,450	2,161,861	2,203,002	2,217,909	2,236,463	2,260,019	2,283,772	2,308,045		
6	Depreciation Expense		23,879	23,932	23,946	24,144	24,185	24,243	24,256	24,286	24,303	24,334	24,377	24,404		290,290
7	Retirements		(584)	54	(226)	(742)	(39,774)	16,899	(9,349)	(5,732)	(747)	(582)	(104)	(54,788)		(95,676)
8	Accumulated Depreciation	2,083,047	2,106,342	2,130,328	2,154,048	2,177,450	2,161,861	2,203,002	2,217,909	2,236,463	2,260,019	2,283,772	2,308,045	2,277,661	2,199,996	
9	Net Gas Plant In Service	5,115,886	5,107,469	5,087,618	5,120,831	5,108,574	5,100,759	5,063,513	5,047,559	5,028,405	5,012,855	4,997,365	4,980,401	4,972,539	5,057,213	
10	Cash Working Capital	35,722	35,722	35,722	35,722	35,722	35,722	35,722	35,722	35,722	35,722	35,722	35,722	35,722	35,722	
11	Materials and Supply Inventory	31,164	31,113	30,907	30,600	30,426	30,238	30,030	29,828	29,576	29,356	29,008	28,610	28,308	29,936	
12	Linepack Gas	26,748	26,510	26,510	26,510	26,510	26,510	25,194	24,624	24,616	24,481	24,477	24,477	25,670	25,603	
13	Unamortized Capital Assets	8,507	7,833	5,302	5,757	5,771	6,189	8,959	7,680	7,557	8,098	8,949	9,390	8,452	7,573	
14	**Rate Base**	5,218,026	5,208,648	5,186,060	5,219,419	5,207,003	5,199,418	5,163,419	5,145,413	5,125,876	5,110,512	5,095,521	5,078,601	5,070,691	5,156,047	

[1] Includes Capital Pipeline Integrity Rate Base

BR-NGTL-011(b)

Issue:

Rate Base Summary

Reference:

Schedule 3.1, Section 3.0.

Preamble:

The Board would like to explore the historical rate base figures.

Request:

Please explain any significant changes between these years through a numerical reconciliation.

Response:

Please refer to Attachment BR-NGTL-011(b).

RATE BASE CHANGES BETWEEN 2000 AND 2001

($ Thousands)

LINE NO.	DESCRIPTION	Dec 31, 2000	Change	Dec 31, 2001
	(a)	(b)	(c)	(d)
1	Gas Plant in Service	7,198,933	51,267 (1)	7,250,200
2	Accumulated Depreciation	(2,083,047)	(194,614) (2)	(2,277,661)
3	Cash Working Capital	3,520	32,202 (3)	35,722
4	Materials and Supply Inventory	31,164	(2,856)	28,308
5	Linepack Gas	26,748	(1,078)	25,670
6	Unamortized Capital Assets	8,507	(55)	8,452
7	Rate Base	5,185,824	(115,134)	5,070,691

SIGNIFICANT CHANGES IN RATE BASE:

(1) GPIS - $ 51 million

- Additions $ 166 million
- Retirements $ 115 million

(2) Accumulated Depreciation - ($195 million)

- Depreciation expense $290 million
- Retirements $95 million

(3) Cash Working Capital - $32 million

- The municipal tax component increased approximately $15 million due to an update to the net lag days.
- The depreciation component increased approximately $10 million due to an increase in the composite depreciation rate from 3.5% in 2000 to 4.0% in 2001. In addition, the depreciation component of cash working capital for 2000 included only the depreciation on Base Rate Base as defined in the Cost Efficiency Incentive Settlement (CEIS).
- The equity return component increased approximately $7 million primarily because the 2000 equity return component included only the equity return on Base Rate Base as defined in the CEIS.

BR-NGTL-012

Issue:

Basis of the Lead Lag Study

Reference:

Lead/Lag Study, Section 3.0, Appendix A.

Preamble:

The Board would like to further understand the assumptions underpinning the Lead Lag Study.

Request:

Please explain why the study was preformed on data for 2001 as opposed to 2002 base year data.

Response:

In Decision U96001, the Board directed NGTL "to perform a lead/lag study on actual cash flows and to file the results of that study with its next general rate application". In 2002, in anticipation of filing a 2003 General Rate Application, NGTL initiated a lead/lag study in compliance with the Board's directive. This study was based on analysis of 2001 transactions. Subsequently, the 2003 Alberta System Revenue Requirement Settlement (ASRRS) was negotiated, eliminating the need for a 2003 GRA filing.

The underlying business drivers to assess the lead/lag transactions were substantially unchanged in 2002 when compared to 2001. As a result, the lag days based on 2001 analysis have been applied to the 2004 revenue requirement components in the current study. The 2004 study was also updated to reflect the introduction of new long term incentive compensation plans. This approach allowed NGTL to avoid additional costs and incremental administrative effort.

BR-NGTL-013(a)

Issue:

Calculation of Cash Working Capital

Reference:

Schedule 2.1.2, Schedule 3.1, Section 2.1, 3.1, 3.6.

Preamble:

In decision U96001, the Board approved the necessary working capital calculation using one-twelfth of the forecast operating expenses. In calculating cash working capital using this formula for the years 2002 and 2003 the Board is unable to reconcile cash working capital as provided on Schedule 3.1.

Request:

How was Cash Working Capital calculated from the years 1995 to 2003 inclusive?

Response:

In 1995, cash working capital was calculated by taking 1/12 of the operating costs in accordance with EUB Decision U96001. In the years 1996 to 2000 cash working capital was determined based on the results of a lead-lag study undertaken in response to Decision U96001. A subsequent lead-lag study was carried out which formed the basis for determination of cash working capital for the years 2001 to 2003.

BR-NGTL-013(b) **REVISED February 2004**

Issue:

Calculation of Cash Working Capital

Reference:

Schedule 2.1.2, Schedule 3.1, Section 2.1, 3.1, 3.6.

Preamble:

In decision U96001, the Board approved the necessary working capital calculation using one-twelfth of the forecast operating expenses. In calculating cash working capital using this formula for the years 2002 and 2003 the Board is unable to reconcile cash working capital as provided on Schedule 3.1.

Request:

In its calculations the Board has estimated that Cash Working Capital has been calculated at approximately 30% of the operating costs. Is this accurate? Please explain the appropriate calculation and the rationale behind it.

Response:

The 2003 cash working capital calculation has been revised to reflect 2003 actual costs as per the February 2004 Update.

In 2002 and 2003, cash working capital was not calculated based on 30% of operating costs. The cash working capital amounts for 2002 and 2003 were calculated based on the results of a lead-lag study as referenced in the response to BR-NGTL-013(a). The calculations are provided in Attachment BR-NGTL-013(b).

CASH WORKING CAPITAL
FOR THE BASE YEAR ENDED DECEMBER 31, 2002
($thousands)

LINE NO.	DESCRIPTION	Net Lag Days	Actual Cost Components	Cash Working Capital
	(a)	(b)	(c)	(d)
	Operating Return			
1	Common equity return	46	205,491	25,734
2	Debt interest - long-term	(46)	260,105	(32,474)
3	Debt interest - unfunded	31	6,854	573
4	Operating Costs	26	205,038	14,420
5	Depreciation	46	290,891	36,429
6	Income taxes	31	170,393	14,472
7	Capital taxes	31	6,247	531
8	Municipal taxes	24	65,439	4,330
9	Foreign exchange on interest payments	(40)	16,760	(1,852)
10	TBO	4	79,597	881
11	Regulatory Hearing costs	46	1,741	218
12	Provision for uninsured losses	46	4,141	519
13	GST Remittances			(7,642)
14	GST Input Tax credits			3,537
15	**TOTAL**		**1,312,697**	**59,675**

CASH WORKING CAPITAL
FOR THE ACTUAL YEAR ENDED DECEMBER 31, 2003
($thousands)

LINE NO.	DESCRIPTION	Net Lag Days	Actual Cost Components	Cash Working Capital
	(a)	(b)	(c)	(d)
	Operating Return			
1	Common equity return	46	188,847	23,650
2	Debt interest - long-term	(46)	240,917	(30,078)
3	Debt interest - unfunded	31	9,979	834
4	Operating Costs	26	208,742	14,681
5	Depreciation	46	293,639	36,773
6	Income taxes	31	155,720	13,226
7	Capital taxes	31	5,881	499
8	Municipal taxes	24	68,832	4,554
9	Foreign exchange on interest payments	(40)	5,809	(642)
10	TBO	4	76,780	850
11	Regulatory Hearing costs	46	5,381	674
12	Provision for uninsured losses	46	3,422	429
13	GST Remittances			(7,642)
14	GST Input Tax credits			3,537
15	**TOTAL**		**1,263,950**	**61,344**

BR-NGTL-014(a) **REVISED February 2004**

Issue:

Reserve Accounts

Reference:

Pension and OPEB pages 1-2 and schedules 3.11 and 3.11.1, Section 3.11.

Preamble:

The Board would like to clarify its understanding of the Prefunded/(Unfunded) Pension and Other Post Employment Benefits (OPEB) liability as presented in schedule 3.11.1.

Request:

Please explain in detail what the line items 2, 3, 7 and 8 represent (expense and actual funding). Provide any break down of these numbers as applicable.

Response:

2003 actual and 2004 forecast pension expense and funding have been revised as per the February 2004 Update.

Line items 2 and 7 represent the amount of TCPL's total expense, actuarially determined and measured in accordance with the Canadian Institute of Chartered Accountants Handbook, and allocated to NGTL based on Full-Time Equivalents.

Line items 3 and 8 represent the amount of TCPL's total actual cash funding contributions to the benefit plans for each year presented, allocated to NGTL based on Full-Time Equivalents for purposes of determining the NGTL portion of the total funding contribution.

Please refer to Attachment BR-NGTL-014(a).

PREFUNDED/(UNFUNDED) PENSION AND OTHER POST EMPLOYMENT BENEFITS LIABILITY
CONTINUITY SCHEDULE (1999 - 2004) - SUPPORTING CALCULATIONS

($Thousands)

LINE NO.	DESCRIPTION	1999	2000	2001	2002	2003	2004
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Prefunded/(Unfunded) Pension Liability						
1	Expense Per Actuarial Valuation	(2,253)	(9,246)	(12,149)	(10,882)	(36,233)	(43,670)
2	NGTL Full Time Equivalent Percentage	100.00%	30.28%	35.33%	37.47%	36.24%	34.84%
3	Expense Per Schedule 3.11.1, Line 2 (1999 - 2003) and Schedule 3.11, Line 2 (2004)	(2,253)	(2,800)	(4,292)	(4,077)	(13,131)	(15,215)
4	Actual Funding (100%)	1,000	23,300	27,500	47,432	110,308	80,000
5	NGTL Full Time Equivalent Percentage	100.00%	30.28%	35.33%	37.47%	36.24%	34.84%
6	Actual Funding Per Schedule 3.11.1, Line 3 (1999 - 2003) and Schedule 3.11, Line 3 (2004)	1,000	7,055	9,716	17,773	39,976	27,872
	Prefunded/(Unfunded) Other Post Employment Benefits Liability						
7	Expense Per Actuarial Valuation		(4,879)	(5,410)	(5,720)	(9,907)	(11,101)
8	NGTL Full Time Equivalent Percentage		30.28%	35.33%	37.47%	36.24%	34.84%
	Sub-total		(1,477)	(1,912)	(2,143)	(3,590)	(3,868)
9	Add: NGTL Amortization of Transitional Obligation		(886)	(886)	(886)	(886)	(886)
10	Expense Per Schedule 3.11.1, Line 7 (1999 - 2003) and Schedule 3.11, Line 6 (2004)	n/a	(2,363)	(2,798)	(3,029)	(4,476)	(4,754)
11	Actual Funding (100%)		3,135	3,067	4,264	3,875	5,406
12	NGTL Full Time Equivalent Percentage		30.28%	35.33%	37.47%	36.24%	34.84%
13	Actual Funding Per Schedule 3.11.1, Line 8 (1999 - 2003) and Schedule 3.11, Line 7 (2004)	n/a	949	1,084	1,598	1,404	1,883

BR-NGTL-014(b)

Issue:

Reserve Accounts

Reference:

Pension and OPEB pages 1-2 and schedules 3.11 and 3.11.1, Section 3.11.

Preamble:

The Board would like to clarify its understanding of the Prefunded/(Unfunded) Pension and Other Post Employment Benefits (OPEB) liability as presented in schedule 3.11.1.

Request:

Please provide the formulas behind the calculation of these numbers for each year 1999 through 2004 inclusive.

Response:

Please refer to the response to BR-NGTL-014(a).

BR-NGTL-014(c) **REVISED February 2004**

Issue:

Reserve Accounts

Reference:

Pension and OPEB pages 1-2 and schedules 3.11 and 3.11.1, Section 3.11.

Preamble:

The Board would like to clarify its understanding of the Prefunded/(Unfunded) Pension and Other Post Employment Benefits (OPEB) liability as presented in schedule 3.11.1.

Request:

Why is there such a large discrepancy between the expense and actual funding amount for the prefunded/(unfunded) pension liability amounts for the years 2000 and 2004.

Response:

Pension funding in a given year is based on the minimum amount required by Canadian pension legislation. Pension expense is determined in accordance with the calculations prescribed by the Canadian Institute of Chartered Accountants Handbook Section 3461, Employee Future Benefits.

Generally, going concern funding deficits are funded over 15 years and solvency funding deficits are funded over 5 years. Changes in the deficit measured for accounting purposes are recognized over a relatively long period of time as a result of applying the prescribed calculations mentioned above. These differences result in expense not being equal to funding in any given year.

From 2000 through 2003, returns on pension asset and discount rates have declined resulting in increased solvency deficits that required increased funding contributions over a relatively short period of time. The prescribed accounting rules permit a significant deferral of recognition of gains and losses. This results in timing differences between funding and expense. Funding in 2004 is expected to decrease from 2003 levels as a result of large funding contributions and improved returns on plan assets in 2003. Pension expense in 2004 is expected to increase from the 2003 amount primarily due to the recognition of past asset and liability losses and discount rate changes through the actuarial loss amortization component of pension expense as well as increased service costs resulting from the decrease in the discount rate.

BR-NGTL-014(d)

Issue:

Reserve Accounts

Reference:

Pension and OPEB pages 1-2 and schedules 3.11 and 3.11.1, Section 3.11.

Preamble:

The Board would like to clarify its understanding of the Prefunded/(Unfunded) Pension and Other Post Employment Benefits (OPEB) liability as presented in schedule 3.11.1.

Request:

Is this pattern likely to be repeated into the future? Please explain why or why not.

Response:

It is indeterminable whether the pattern for prefunded/(unfunded) pension liability will continue or reverse and grow in the opposite direction by reason that a) pension expense and funding are measured using different valuation methods that result in timing differences between expense and funding and b) pension expense and funding in the future will depend on plan asset returns and discount rate changes, neither of which is determinable. Therefore, differences between expense and funding are expected to continue to arise for the pension plan but it is not possible to forecast in which direction the difference will go.

With respect to reason a) above, expense under generally accepted accounting principles represents the accrued cost of benefits earned by employees in a given year. Funding legislation, however, does not contemplate matching of cash contributions to the periods in which benefits are earned but rather it prescribes the periods over which funding deficits must be remedied and the discount rate to be used in the funding valuation, which normally differs from the rate selected under the accounting valuation methodology prescribed in the Canadian Institute of Chartered Accountants Handbook Section 3461, Employee Future Benefits.

BR-NGTL-014(d)

With respect to reason b) above, if asset returns in the plan were to be greater than the increase in the benefit obligation in the future, lower funding should be required. Under this scenario, pension expense could potentially become pension income in the future and funding would be reduced. Alternatively, if asset returns lagged behind the growth in the benefit obligation, future funding would likely increase at a faster rate than the increase in pension expense.

BR-NGTL-014(e)

Issue:

Reserve Accounts

Reference:

Pension and OPEB pages 1-2 and schedules 3.11 and 3.11.1, Section 3.11.

Preamble:

The Board would like to clarify its understanding of the Prefunded/(Unfunded) Pension and Other Post Employment Benefits (OPEB) liability as presented in schedule 3.11.1.

Request:

Please explain why NGTL has prefunded the pension and OPEB liabilities when only actual funding of pension and OPEB liabilities is allowed for tax purposes.

Response:

NGTL has funded the pension and OPEBs in the amounts allowed for tax purposes. The term “prefunded” in this context refers to cumulative funding in excess of cumulative expense recognized.

BR-NGTL-015(a)

Issue:

Depletable and Depreciable Facilities

Reference:

Depreciation, Section 4.3.

Preamble:

NGTL has defined depletable facilities as those that are entirely or primarily dependant on localized gas supply. Depreciable facilities are those for which gas supply cannot be specifically identified. The Board would like to understand the rationale and method behind the segregation of depletable and depreciable facilities segregation.

Request:

Are all NGTL pipelines less than NPS 24 primarily dependent on localized gas supply?

Response:

No. With a pipeline system as complex as NGTL's, it is impossible to make a segmentation rule that applies without exceptions. The goal then becomes to minimize those exceptions and mitigate their impact on the results of the methodology or the concept that the segmentation rule was chosen to support.

There are some pipelines less than NPS 24 which are dependent on more than localized gas supply. Those pipes are dependent on gas supplies from more than one Reserves Addition Collector (RAC). This is evident in the Depreciation Study, pages III-204 to III-225. Those pipes' location numbers show "associated meter stations" that are not meter station location numbers but RAC numbers (in the format 0RC##). Specifically, those are the pipes where more than one RAC number is listed. There are 40 such pipe location numbers out of a total of 900.

Inclusion of those exceptions in the unit of production calculations has in effect caused those pipes to be given a service life that is the average of a large number of meter

stations in different RACs, achieving the goal of mitigating their impact on the overall unit of production results.

BR-NGTL-015(b)

Issue:

Depletable and Depreciable Facilities

Reference:

Depreciation, Section 4.3.

Preamble:

NGTL has defined depletable facilities as those that are entirely or primarily dependant on localized gas supply. Depreciable facilities are those for which gas supply cannot be specifically identified. The Board would like to understand the rationale and method behind the segregation of depletable and depreciable facilities segregation.

Request:

In determining the treatment of new facilities does NGTL propose to consider the level of dependency on a supply source as a method of determining depletable or depreciable facilities?

Response:

No. The treatment of new facilities will be determined in future depreciation studies, subsequent to their going into service.

BR-NGTL-016

Issue:

Depletable and Depreciable Facilities

Reference:

Depreciation, page 10 of 23, Section 4.3.

Preamble:

Based on these guidelines, approximately 29% of the total system investment, based on original book cost, is categorized as depletable. Of the pipeline accounts, based on the criteria above, approximately 71% of the investment is depreciable.

Request:

Please provide the percentage of facilities considered to be, by the criteria set forth in Section 4.3, depletable and depreciable based on year end 2002 GPIS.

Response:

Depletable Facilities	**% of GPIS**	**Depreciable Facilities**	**% of GPIS**
Receipt Meter Stations	4%	Delivery Meter Stations	2%
Pipes (less than NPS 24)	25%	Compressor Stations	21%
		General Plant Assets	6%
		Pipes (NPS 24 and greater)	42%
Total	29%	Total	71%

BR-NGTL-017(a)

Issue:

Reasonableness of TBO Costs

Reference:

History of Transportation by Others, Section 2.7, page 1 of 13, lines 3-4.

Preamble:

In Section 2.7.1, NGTL provides a history of its Transportation by Others. NGTL indicated that Transportation by Others (TBO) costs are the costs NGTL incurs on behalf of its customers to transport gas on interconnected pipelines. Theses costs are invoiced to NGTL by the other pipeline companies and, in turn, collected from NGTL customers as one of the components of the revenue requirement.

On page 2 of 13, NGTL also identified in 1984 certain risks to NGTL's customers and shareholders in continuing to roll-in third party charges.

For greater clarity on NGTL's TBO history, the Board has the following questions.

Request:

Please indicate whether all past TBO arrangements have contributed incremental revenues toward NGTL's revenue requirement. Please identify by TBO arrangement.

Response:

TBO arrangements in and of themselves do not contribute revenues. They are alternatives to constructing facilities that have enabled NGTL to meet its transportation requirements.

The Alberta System is integrated on physical, commercial and operational levels. This degree of integration gives rise to the rolled-in treatment of the Alberta System's owning and operating cost, including TBO costs, for the purposes of determining total revenue requirement. Rates for transportation services are calculated on a rolled-in versus an incremental basis, and therefore a direct comparison between the cost of service

associated with a particular TBO arrangement and the related incremental revenues is not an appropriate measure of net benefit to the system.

BR-NGTL-017(b)

Issue:

Reasonableness of TBO Costs

Reference:

History of Transportation by Others, Section 2.7, page 1 of 13, lines 3-4.

Preamble:

In Section 2.7.1, NGTL provides a history of its Transportation by Others. NGTL indicated that Transportation by Others (TBO) costs are the costs NGTL incurs on behalf of its customers to transport gas on interconnected pipelines. Theses costs are invoiced to NGTL by the other pipeline companies and, in turn, collected from NGTL customers as one of the components of the revenue requirement.

On page 2 of 13, NGTL also identified in 1984 certain risks to NGTL's customers and shareholders in continuing to roll-in third party charges.

For greater clarity on NGTL's TBO history, the Board has the following questions.

Request:

Please indicate whether these incremental revenues contributed a net benefit to system tolls and customer costs when factoring in cost of service associated with these TBOs. If the TBO provided benefits beyond economic, please explain.

Response:

Please refer to the response to BR-NGTL-017(a).

BR-NGTL-017(c)

Issue:

Reasonableness of TBO Costs

Reference:

History of Transportation by Others, Section 2.7, page 1 of 13, lines 3-4.

Preamble:

In Section 2.7.1, NGTL provides a history of its Transportation by Others. NGTL indicated that Transportation by Others (TBO) costs are the costs NGTL incurs on behalf of its customers to transport gas on interconnected pipelines. Theses costs are invoiced to NGTL by the other pipeline companies and, in turn, collected from NGTL customers as one of the components of the revenue requirement.

On page 2 of 13, NGTL also identified in 1984 certain risks to NGTL's customers and shareholders in continuing to roll-in third party charges.

For greater clarity on NGTL's TBO history, the Board has the following questions.

Request:

On page 2 of 13, NGTL identified in 1984 certain risks to NGTL's customers and shareholders in continuing to roll-in third party charges. Please explain those risks. Identify any risks to customers and shareholders based on NGTL's current TBO policy.

Response:

From 1981 to 1984, NGTL had accepted as a component of the total cost of service the transportation charges incurred by certain of its customers on the contracted for capacity with North Canadian Oils Limited's, Canadian Western Natural Gas Limited's, and Northwestern Utilities Limited's Systems (Utilities). In 1984 NGTL discontinued this practice for the following reasons.

- Exposure to volumetric forecasting risk. NGTL had to accept a large demand component in the rates charged by the Utilities, therefore if gas was not

transported or reserves were released to the Utilities, NGTL would still pay the charge for the balance of the term of the contract. NGTL rates included only a commodity charge at that time. As a result demand charges were paid despite declining markets and overestimation of throughput requirements. NGTL absorbed the full third party demand charge regardless of throughput.

- Reserves behind this gas supply were not necessarily dedicated to the Alberta System.

- NGTL had no control over the TBO costs and was subject to complaint on the basis that the rolled-in charges were neither just nor reasonable.

NGTL's current TBO Policy recognizes that there are risks and uncertainties inherent in any potential TBO arrangement. NGTL must apply to the Board to have TBO costs approved. The Board may find that the costs are not prudent in a particular year and therefore NGTL's shareholders may be at risk for payment of those costs.

Other risks include the reliability, the timing of availability of service, and overall impact on the Alberta System.

These risks are taken into consideration when evaluating whether to enter a TBO arrangement as outlined in NGTL's TBO Policy.

BR-NGTL-017(d)

Issue:

Reasonableness of TBO Costs

Reference:

History of Transportation by Others, Section 2.7, page 1 of 13, lines 3-4.

Preamble:

In Section 2.7.1, NGTL provides a history of its Transportation by Others. NGTL indicated that Transportation by Others (TBO) costs are the costs NGTL incurs on behalf of its customers to transport gas on interconnected pipelines. Theses costs are invoiced to NGTL by the other pipeline companies and, in turn, collected from NGTL customers as one of the components of the revenue requirement.

On page 2 of 13, NGTL also identified in 1984 certain risks to NGTL's customers and shareholders in continuing to roll-in third party charges.

For greater clarity on NGTL's TBO history, the Board has the following questions.

Request:

Please indicate what reasonableness checks NGTL conducts with regards to rolling in third party pipeline charges via its past and current TBO policy.

Response:

In the past, NGTL's TBO Policy was largely based on the least cost alternative principle. NGTL recognized over time some of the inherent risks and other potential implications that could arise under the terms and conditions of various TBO arrangements. As a result, the current TBO Policy takes into consideration several additional factors to ensure that a particular TBO arrangement is in the best interests of its customers and of benefit to the Alberta System overall.

As stated in NGTL's current TBO Policy in Section 2.7.2 of the Application, NGTL evaluates the long-term owning and operating cost of the facilities, the impact on overall

system cost, whether the gas volumes transported will pay the appropriate NGTL toll, contractual risks and various other factors that could affect the quality or ability of the service to meet the service needs of NGTL's customers.

BR-NGTL-018(a)

Issue:

Roll-in of certain transportation charges of ATCO Pipelines

Reference:

NGTL's Transportation by Others (TBO) Policy, Section 2.7.2, p. 3 of 13, lines 1-10.

Preamble:

In the NGTL 1995 GRA proceeding, Canadian Western Natural Gas Company Ltd. and Northwestern Utilities Ltd. (the Utilities)(which are now ATCO) argued that certain of their transportation charges be rolled into the revenue requirement of NGTL. This would eliminate the dual toll faced by a shipper whose receipts were connected to the Utilities system and who sought access to the market via the Alberta System, thus encouraging gas development adjacent to the Utilities' system and ultimately resulting in more orderly, economic and efficient development of the province's natural gas resources. This proposal was denied by the Board in U96001 and directed NGTL to re-evaluate its TBO policies.

Request:

Please indicate whether NGTL considers there to be any merit in ATCO's argument from NGTL's 1995 NGTL proceeding.

Response:

For clarity, NGTL assumes the argument the Board refers to is that certain of the Utilities transportation charges should be rolled into NGTL's revenue requirement.

NGTL notes that the environment for transportation services has changed significantly since 1995, as illustrated by the following:

- Natural gas prices are significantly higher;
- NGTL has moved from postage stamp receipt tolls to receipt point specific pricing;
- Pipeline competition has significantly increased in the WCSB;
- NGTL no longer constructs receipt laterals; and

BR-NGTL-018(a)

- ATCO has introduced both an exchange service and discounting practices.

NGTL provided arguments against Utilities' proposal in 1995 and believes its arguments are even more compelling in today's environment. NGTL is not aware that its customers support the proposal as articulated in 1995.

Natural gas prices are significantly higher than in 1995 and NGTL does not believe that decisions on whether to develop reserves adjacent to ATCO's facilities are impacted significantly by dual tolls. Gas prices together with ATCO's introduction of an exchange service and its discounting practices have largely diminished the impact of the dual tolling issue.

NGTL operates its system in a competitive environment and cannot be reasonably expected to subsidize competitive systems. NGTL's contribution to the competitiveness of the WCSB is properly served by NGTL optimizing the Alberta System. NGTL only contracts with other pipelines when it requires transportation capacity for NGTL customers. Taking on additional contract risk completely upstream of the Alberta System in order to reduce the cost of transportation for other parties is not appropriate.

BR-NGTL-018(b)

Issue:

Roll-in of certain transportation charges of ATCO Pipelines

Reference:

NGTL's Transportation by Others (TBO) Policy, Section 2.7.2, p. 3 of 13, lines 1-10.

Preamble:

In the NGTL 1995 GRA proceeding, Canadian Western Natural Gas Company Ltd. and Northwestern Utilities Ltd. (the Utilities)(which are now ATCO) argued that certain of their transportation charges be rolled into the revenue requirement of NGTL. This would eliminate the dual toll faced by a shipper whose receipts were connected to the Utilities system and who sought access to the market via the Alberta System, thus encouraging gas development adjacent to the Utilities' system and ultimately resulting in more orderly, economic and efficient development of the province's natural gas resources. This proposal was denied by the Board in U96001 and directed NGTL to re-evaluate its TBO policies.

Request:

Does NGTL believe that its current TBO policy addresses ATCO's argument, and if not, why not?

Response:

Yes. Any shipper can request service from NGTL. To the extent that an ATCO TBO arrangement is the least cost alternative for providing that service, meets all of the requirements of the TBO policy and meets the customer's requirements, NGTL will enter into a TBO arrangement with ATCO.

Choosing the option that provides the lowest long-term cost solution contributes to the orderly, economic and efficient development of the province's natural gas resources.

BR-NGTL-018(c)

Issue:

Roll-in of certain transportation charges of ATCO Pipelines

Reference:

NGTL's Transportation by Others (TBO) Policy, Section 2.7.2, p. 3 of 13, lines 1-10.

Preamble:

In the NGTL 1995 GRA proceeding, Canadian Western Natural Gas Company Ltd. and Northwestern Utilities Ltd. (the Utilities)(which are now ATCO) argued that certain of their transportation charges be rolled into the revenue requirement of NGTL. This would eliminate the dual toll faced by a shipper whose receipts were connected to the Utilities system and who sought access to the market via the Alberta System, thus encouraging gas development adjacent to the Utilities' system and ultimately resulting in more orderly, economic and efficient development of the province's natural gas resources. This proposal was denied by the Board in U96001 and directed NGTL to re-evaluate its TBO policies.

Request:

Would NGTL support a TBO policy or mechanism that would alleviate the dual toll issue between pipeline service providers, as it relates to ATCO, Alliance, etc…? If not, why not?

Response:

No. NGTL does not believe it has a responsibility to alleviate a dual toll situation on another pipeline. However, NGTL is able to provide service to its own customers that will allow them to avoid a dual toll.

Please refer to response to BR-NGTL-018(b).

BR-NGTL-018(d)

Issue:

Roll-in of certain transportation charges of ATCO Pipelines

Reference:

NGTL's Transportation by Others (TBO) Policy, Section 2.7.2, p. 3 of 13, lines 1-10.

Preamble:

In the NGTL 1995 GRA proceeding, Canadian Western Natural Gas Company Ltd. and Northwestern Utilities Ltd. (the Utilities)(which are now ATCO) argued that certain of their transportation charges be rolled into the revenue requirement of NGTL. This would eliminate the dual toll faced by a shipper whose receipts were connected to the Utilities system and who sought access to the market via the Alberta System, thus encouraging gas development adjacent to the Utilities' system and ultimately resulting in more orderly, economic and efficient development of the province's natural gas resources. This proposal was denied by the Board in U96001 and directed NGTL to re-evaluate its TBO policies.

Request:

Would NGTL advocate an industry wide standard for TBO policy for all pipelines that fall under the Alberta Energy and Utilities Board discretion.

Response:

No. NGTL believes pipelines should have individual policies that reflect the particular circumstances of each pipeline. However, such policies should not unduly advantage or disadvantage the competitive position of one pipeline relative to another.

BR-NGTL-019(a)

Issue:

Evolution of TBO policy & Competitive Landscape

Reference:

NGTL's Transportation by Others (TBO) Policy, Section 2.7.2, p. 4 of 13.

Preamble:

NGTL indicated that its TBO policy has evolved in response to changes in the competitive landscape.

Request:

Please explain what changes in the competitive landscape impacted the evolution of NGTL's current TBO policy, and how?

Response:

The changes in the competitive landscape NGTL is referring to are:

- the increased competition for supply from other pipelines such as ATCO, Alliance, and AltaGas; and
- the lowering of expectations for future WCSB production.

These changes have resulted in NGTL's TBO Policy evolving so that NGTL considers several factors in addition to determining the least cost alternative.

In particular, with the potential for fewer volumes to be transported by more pipeline companies, the importance of assessing the impact of a TBO arrangement on overall system cost and assessing potential contractual risks have become more important.

BR-NGTL-019(b)

Issue:

Evolution of TBO policy & Competitive Landscape

Reference:

NGTL's Transportation by Others (TBO) Policy, Section 2.7.2, p. 4 of 13.

Preamble:

NGTL indicated that its TBO policy has evolved in response to changes in the competitive landscape.

Request:

What potential changes has NGTL either forecasted or considered that might negate the economic viability of NGTL's current TBO policy, specifically as it relates to the Ventures TBO that includes a term of 25 years.

Response:

NGTL has not identified any such changes that would negate the economic viability of NGTL's current TBO policy at this time.

BR-NGTL-020(a)

Issue:

Evaluation of TBO option

Reference:

NGTL's Transportation by Others (TBO) Policy, Section 2.7.2, p 5 of 13, Lines 9-21.

Preamble:

NGTL indicated that it typically evaluates a TBO option as to whether it meets a customers' over-all requirements for service, determines the cost of the TBO service option, and evaluate the CPVCOS of all service options to establish the least cost alternative.

Request:

Starting on page 5 of 13, NGTL provides five specific factors that are considered when determining the overall merits of each service. Please explain the importance of each factor when weighing the merits of each alternative.

Response:

In most cases, the primary factor considered is the determination of the service option that provides the lowest CPVCOS solution provided that there are not major concerns related to the other factors. If, for practical purposes, the various alternatives are equal based on financial analysis then a decision is made on other relevant factors.

There is no particular weighting ascribed to the other factors; each factor is considered in relation to the unique circumstances of a particular TBO arrangement.

BR-NGTL-020(b)

Issue:

Evaluation of TBO option

Reference:

NGTL's Transportation by Others (TBO) Policy, Section 2.7.2, p 5 of 13, Lines 9-21.

Preamble:

NGTL indicated that it typically evaluates a TBO option as to whether it meets a customers' over-all requirements for service, determines the cost of the TBO service option, and evaluate the CPVCOS of all service options to establish the least cost alternative.

Request:

Under what situation would NGTL evaluate a TBO option using a different methodology than that provided on page 5 of 13, lines 7-21.

Response:

NGTL cannot identify any situations in which this methodology would not be used.

BR-NGTL-020(c)

Issue:

Evaluation of TBO option

Reference:

NGTL's Transportation by Others (TBO) Policy, Section 2.7.2, p 5 of 13, Lines 9-21.

Preamble:

NGTL indicated that it typically evaluates a TBO option as to whether it meets a customers' over-all requirements for service, determines the cost of the TBO service option, and evaluate the CPVCOS of all service options to establish the least cost alternative.

Request:

Does NGTL evaluate whether the customers forecast demand is first reasonable, and second, whether it will meet NGTL's EAV or MAV requirements?

Response:

Yes. NGTL reviews customers' forecast of demand for reasonability. As stated in Chapter 3, Section 3.4.3, page 3-13 of the December 2002 Annual Plan:

"NGTL considered several sources of information in developing its Alberta delivery forecast. First, operators of downstream facilities such as connecting pipelines and industrial plant operators were requested to provide a forecast of their maximum, average and minimum requirements for deliveries from NGTL over the next ten years. NGTL analyzed the forecasts and compared them to historical flow patterns at the Alberta Delivery Points. In cases where NGTL's analysis did not support the customer's forecast, NGTL contacted the operator and either the operator's forecast was revised or NGTL adjusted its analysis based on new information provided by the operator."

To assist in the evaluation of overall facility requirements in the Fort McMurray area, including a TBO option, all customers, or potential customers were contacted to provide

BR-NGTL-020(c)

input into NGTL's forecast of area demand. Most customers provided a forecast which NGTL then reviewed for reasonableness.

NGTL assessed gas demand at all major industrial projects after consultation with customers and gave due consideration to the economic factors driving that industrial segment. Each customer's forecast for its project is taken into account. However, since there is other similar projects competing for capital, labour and markets, NGTL includes only a portion of the demand for these competing projects.

The EAV and MAV obligations are attributes of the FCS service the customer accepts when contracting for service. They are designed to help ensure that the facilities will be appropriately utilized and are not part of the CPVCOS evaluation.

BR-NGTL-021(a)

Issue:

Term of TBO

Reference:

NGTL's Transportation by Others (TBO) Policy, Section 2.7.4, Table 2.7.1 p. 8 of 13.

Preamble:

Based on a review of Table 2.7.1, the TBO contract term with Ventures from the Buffalo Creek Receipt Point to Oil Sands Sales is a 25-year term.

Request:

Please indicate whether NGTL pursued a shorter term for this TBO arrangement, and if so, the reasons for agreeing on the longer term. Please explain the benefits of such a long term TBO arrangement for the overall NGTL system revenue requirement and to both existing and incremental customer needs.

Response:

In NGTL's RFP dated March 28, 2003, bidders were invited to bid whatever term they preferred although NGTL did indicate a preference for bids with terms of five years or greater. Ventures provided TBO bids with terms of five and 25 years.

When NGTL evaluated the Ventures TBO bids, it considered the market requirements over the long term. NGTL projected demand in the Fort McMurray area to continue to grow over the forecast period. As can be seen in Figures 8.4-1 and 8.4-2 of the Application, the capacity acquired as a result of the Simmons and Ventures transactions provides just the first incremental tranche of capacity that is required to serve this market growth. As this capacity is just a small portion of the capacity that will be required to serve this growing market, NGTL expects that the capacity that has been obtained under the Simmons and Ventures transactions will be used for at least 25 years. Note that the capacity that is provided under the Ventures and Simmons transactions is supported by firm contracts with a minimum term of 10 years.

BR-NGTL-021(a)

As a result of the expectation that the facilities will be used for more than 25 years, when completing the least cost analysis that incorporates a short term TBO, NGTL has to address how the market will be served following the expiry of the short term TBO. NGTL will either have to re-contract for, buy or build capacity. When the short term TBO scenario was examined it was found to be more expensive than the 25 year TBO alternative that was provided by Ventures. This is the result of there being no value associated with the flexibility a short term TBO offers given that NGTL will either have to re-contract or build following the expiry of a shorter term TBO. Thus the value associated with the optionality provided by the short term TBO in this case is of little value to NGTL. This results in the 25-year TBO being the lower cost solution which is why it was selected by NGTL.

BR-NGTL-021(b)

Issue:

Term of TBO

Reference:

NGTL's Transportation by Others (TBO) Policy, Section 2.7.4, Table 2.7.1 p. 8 of 13.

Preamble:

Based on a review of Table 2.7.1, the TBO contract term with Ventures from the Buffalo Creek Receipt Point to Oil Sands Sales is a 25-year term.

Request:

Please indicate any possible re-opener provisions or contract termination rights for Ventures and NGTL, including costs.

Response:

The TBO Agreement between NGTL and Ventures (Section 8.0, Appendix E) includes a number of termination provisions:

1. **Termination Prior to Commencement Date:**
   Paragraph 9A of the TBO Agreement between NGTL and Ventures specifies that NGTL has the option to terminate the TBO Agreement, or if the TBO Agreement is superseded by the TBO Service Agreement, to terminate the TBO Service Agreement, at any time prior to the Commencement Date upon written notice to Ventures. The Commencement Date is defined in paragraph 2A of the TBO Agreement as the effective date for commencement of the TBO Service and shall be the later of April 1, 2004 and the date Ventures receives written notice from NGTL that it accepts the EUB Approval, provided however, such notice shall be received no later than 30 days after receipt by NGTL of EUB Approval.

   Paragraph 9B of the TBO Agreement further specifies that in the event that the Commencement Date has not occurred by April 1, 2005, the TBO Agreement shall automatically expire.

BR-NGTL-021(b)

2. **Termination After Commencement Date:**
   Paragraph 5 specifies that from the Commencement Date to April 1, 2006, NGTL shall have the option to terminate the TBO Agreement, or if the TBO Agreement is superceded by the TBO Service Agreement the option to terminate the TBO Service Agreement, upon payment by NGTL a termination fee of $2.5 million. The termination fee is not a penalty but is an agreed upon estimate of the amount which would have otherwise been paid under the Existing TBO Agreement.

Paragraph 9 of the TBO Agreement further specifies that 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 the Ventures Assets to NGTL on mutually acceptable terms and conditions. In the event of such sale to NGTL, the TBO Agreement, any definitive TBO Service Agreement and the Existing TBO shall expire upon closing of the sales transaction.

BR-NGTL-021(c)

Issue:

Term of TBO

Reference:

NGTL's Transportation by Others (TBO) Policy, Section 2.7.4, Table 2.7.1 p. 8 of 13.

Preamble:

Based on a review of Table 2.7.1, the TBO contract term with Ventures from the Buffalo Creek Receipt Point to Oil Sands Sales is a 25-year term.

Request:

What impact does the length term of a TBO arrangement have on the risks to NGTL customers?

Response:

Longer term arrangements generally result in lower annual costs than do shorter term arrangements, therefore the overall risk of a longer term arrangement may be lower.

Please refer to the response to BR-NGTL-21(a).

When assessing the risks of the length of a TBO's term to NGTL's customers, NGTL assesses the certainty of market requirements over the short and long term, the price and the term of the TBO proposed, and the need for any pricing risk for any arrangements that follow the expiry of the TBO. All of these factors have to be assessed on a case-by-case basis.

BR-NGTL-021(d)

Issue:

Term of TBO

Reference:

NGTL's Transportation by Others (TBO) Policy, Section 2.7.4, Table 2.7.1 p. 8 of 13.

Preamble:

Based on a review of Table 2.7.1, the TBO contract term with Ventures from the Buffalo Creek Receipt Point to Oil Sands Sales is a 25-year term.

Request:

Based on the 25-year term of the Ventures TBO, how might forecast variances versus actuals of customers demand requirements that underpin the TBO impact the viability of a TBO arrangement.

Response:

Any variance between forecast and actual customer demand requirements will have no impact on the viability of the TBO arrangements. The evaluation of the TBO and alternatives to determine the least cost solution was based on a five year forecast of facilities, the same as any other evaluation of new facilities on the Alberta system as outlined in Section 2.6 of NGTL's Annual Plan. Furthermore, demand in the Fort McMurray area is expected to grow well beyond the five year forecast considered in the evaluation as shown in Figure 8.4-2 of the Application.

BR-NGTL-021(e)

Issue:

Term of TBO

Reference:

NGTL's Transportation by Others (TBO) Policy, Section 2.7.4, Table 2.7.1 p. 8 of 13.

Preamble:

Based on a review of Table 2.7.1, the TBO contract term with Ventures from the Buffalo Creek Receipt Point to Oil Sands Sales is a 25-year term.

Request:

Would NGTL agree that the longer the forecast, the greater the probability of error?

Response:

NGTL agrees that the longer the forecast period the greater uncertainty there is for each input in the forecast.

However, NGTL does not believe that the uncertainty in the demand forecast affects the economics of the TBO Agreement with Ventures. The demand off the Liege Header is forecast to grow in excess of 1.0 Bcf/d by 2010. The maximum capacity of the Ventures TBO is 533 MMcf/d, as shown in the Application Section 8.0 Appendix E. Combined with the expected delivery capacity of the Simmons pipeline of 180 MMcf/d, the total delivery capacity is 713 MMcf/d. This implies that there could be up to 30% variance in the demand forecast by 2010 and the Proposed Service Solution would still be fully utilized.

BR-NGTL-022(a)

Issue:

Contractual Capacity versus actual demand

Reference:

NGTL's Transportation by Others (TBO) Policy**,** Section 2.7.4.1 Foothills Pipe Lines Ltd.

Preamble:

NGTL submitted that it is the sole shipper on Foothill's Zones 6 and 7 and as such has contracted for the entire capacity in Zones 6 and 7. This capacity has been required to meet its contractual commitments with shippers at the Alberta/Saskatchewan and Alberta B.C. borders.

Request:

Please provide the actual volumes of gas and contractual commitments transported on Foothill's Zones 6 and 7 versus the TBO capacity from the July 1, 2001 start dates.

Response:

Foothills Zone 6

The Foothills Zone 6 facilities are operated as part of an integrated system, and as such the exact volume of throughput cannot be calculated. The Foothills Zone 6 actual flow can be estimated by monitoring the flow at Schrader East C/S, which has averaged approximately 55 $10^6 m^3/d$ since the term of the current TBO arrangement began. The contractual commitment for Foothills Zone 6, as stated in Table 2.7.1 of the Application, is 58.77 $10^6 m^3/d$.

BR-NGTL-022(a)

Table BR-NGTL-22a.1 Eastern Gate Flows, Contracts, Capacities

Gas Year	Empress Contracts	McNeill Contracts	Empress Capacity with Zone 6	McNeill Capacity with Zone 6	Empress Capacity without Zone 6	McNeill Capacity without Zone 6
00/01	185.450	60.326	176.501	60.326	185.028	0
01/02	135.737	60.712	156.078	60.712	158.806	0
02/03	102.586	64.108	157.564	64.108	163.667	0
Gas Year	**Foothills Zone 6 TBO Contract**	**Actual Volumes Transported on Zone 6**	**Annual Maximum Flow at Empress**	**Annual Maximum Flow at McNeill**	**Annual Maximum EGAT Flow**	**Total EGAT Contracts**
00/01	58.770	~55.000	186.650	66.753	249.646	245.776
01/02	58.770	~55.000	177.355	63.541	238.495	196.449
02/03	58.770	~55.000	192.892	66.166	256.772	166.694

Note:
All volumes illustrated in $10^6m^3/d$.
Annual maximum flows based on actual historical data.
Empress and McNeill capacities based on peak summer design conditions.
Annual Maximum EGAT flow based on single day EGAT record – does not correspond to individual Empress and McNeill record days occurring simultaneously.

Foothills Zone 7

The Foothills Zone 7 facilities are operated on a fully integrated basis with NGTL's Western Alberta Mainline facilities, and as such, actual flow data limited to the Zone 7 facilities can not be calculated. The contractual commitment for Foothills Zone 7, as stated in Table 2.7.1 of the 2004 General Rate Application – Phase 1, is 20.418 $10^6m^3/d$.

Table BR-NGTL-22a.2 Western Gate Flows, Contracts, Capacities

Gas Year	Actual Volumes Transported on Zone 7	Foothills Zone 7 TBO Contract	ABC Contracts	ABC Capacity with Zone 7	ABC Capacity Without Zone 7	Annual Maximum Flow at ABC
00/01	Not available	20.418	74.723	74.377	52.432	77.857
01/02	Not available	20.418	76.098	75.935	54.313	77.471
02/03	Not available	20.418	79.043	83.161	56.937	75.984

Note:
All volumes illustrated in $10^6m^3/d$.
Annual maximum flow based on actual historical data.
ABC capacities based on peak summer design conditions.

BR-NGTL-022(b)

Issue:

Contractual Capacity versus actual demand

Reference:

NGTL's Transportation by Others (TBO) Policy**,** Section 2.7.4.1 Foothills Pipe Lines Ltd.

Preamble:

NGTL submitted that it is the sole shipper on Foothill's Zones 6 and 7 and as such has contracted for the entire capacity in Zones 6 and 7. This capacity has been required to meet its contractual commitments with shippers at the Alberta/Saskatchewan and Alberta B.C. borders.

Request:

Please indicate whether or not NGTL would have been prevented from meeting its Eastern and Western contractual commitments based on actual volume of gas transported had the Foothills Zone 6 and 7 TBO arrangements not been in place.

Response:

Yes, NGTL would have been prevented from meeting its Eastern and Western contractual commitments had the Foothills Zone 6 and 7 TBO arrangements not been in place.

Foothills Zone 6

The integrated nature of the NGTL and Foothills system makes it impractical to separate the two systems or to reduce the amount of Foothills capacity that is contracted to NGTL. The McNeill border is connected to the Foothills Zone 6 system. There are no physical Alberta System facilities that would allow NGTL to make deliveries at McNeill without the Foothills facilities. In addition, the McNeill delivery pressure is 1000 psi, and the Empress delivery pressure is 610 psi. Therefore, making deliveries from the lower

pressure NGTL Eastern Alberta Mainline system to the McNeill delivery point would not be possible without the addition of major capital facilities (pipe and compression).

As illustrated in Table BR-NGTL-022a.1, McNeill border contractual delivery requirements could not be met without the use of Zone 6 facilities. As well, the annual maximum flows at the Eastern Gate exceed both the total Eastern Gate contracts, and the Eastern Gate capacity without Foothills Zone 6 facilities. Therefore, NGTL would not have been able to meet its Eastern Gate contractual delivery requirements, nor market flow requirements had the Foothills Zone 6 TBO arrangement not been in place.

Foothills Zone 7

Table BR-NGTL-022a.2 clearly illustrates that the Alberta/BC historical contracts and the historical actual flows at the Alberta/BC border exceed the capability of the Alberta System without the Foothills Zone 7 facilities. Therefore, NGTL would not have been able to meet its contractual delivery requirements at Alberta/BC had the Foothills Zone 7 TBO arrangement not been in place.

BR-NGTL-023(a)

Issue:

Requests for Delivery Service from the Ft. McMurray North Hub

Reference:

Ft. McMurray Area, Section 8.2, Page 5 of 10.

Preamble:

NGTL provided a list of projects for which delivery service has been requested from NGTL from the Ft. McMurray North Hub:

- 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

Request:

Please indicate whether NGTL has any binding transportation agreements with any of the companies involved in these projects.

Response:

The projects listed describe those that have either signed firm NGTL agreements, requested service or are expected to be served from the North Hub.

Of those listed, NGTL has an executed FCS contract with Syncrude (Aurora North and South) for NGTL Alberta Delivery Service (intra-Alberta) at the Fort McMurray North Hub. The contract volume is for 110 MMcf/d and the requested start date is April 1, 2004. As is typical with the Alberta System, Syncrude will execute an FTA agreement at the in-service date.

BR-NGTL-023(a)

NGTL currently has firm contracts to serve the Suncor Firebag project with gas delivered at Mildred Lake. It is possible that the increase in gas demand at Firebag may be served by the North Hub in the future.

In addition to the above, NGTL has received non-binding requests for delivery service at or near the Fort McMurray North Hub location from CNRL, Deer Creek and Koch.

The remaining projects that are listed are well known to industry however the proponents have not yet requested NGTL service.

BR-NGTL-023(b)

Issue:

Requests for Delivery Service from the Ft. McMurray North Hub

Reference:

Ft. McMurray Area, Section 8.2, Page 5 of 10.

Preamble:

NGTL provided a list of projects for which delivery service has been requested from NGTL from the Ft. McMurray North Hub:

- 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

Request:

Please indicate the volumes of gas currently being transported to the customers requesting delivery service to the Ft. McMurray Area via other pipeline arrangements. Please indicate whether the request for delivery service is for incremental volumes, and the specific volumes per customer.

Response:

NGTL understands that approximately 30-40 MMcf/d of gas is currently transported for Syncrude to the Fort McMurray North Hub location via the Simmons pipeline, in combination with the Kearl Lake Pipeline. The NGTL contract executed with Syncrude includes these volumes as well as incremental volumes of about 70 MMcf/d, which results in a total contracted volume of 110 MMcf/d.

BR-NGTL-023(b)

Approximately 25 MMcf/d of the Suncor Firebag volumes are currently flowing under NGTL contracts with delivery at Mildred Lake. These volumes will climb to 131 MMcf/d over the contract term.

NGTL does not believe any of the other listed projects are currently receiving gas.

BR-NGTL-023(c)

Issue:

Requests for Delivery Service from the Ft. McMurray North Hub

Reference:

Ft. McMurray Area, Section 8.2, Page 5 of 10.

Preamble:

NGTL provided a list of projects for which delivery service has been requested from NGTL from the Ft. McMurray North Hub:

- 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

Request:

Based on the aforementioned requested service, please indicate the length of term of delivery service for these projects.

Response:

The Syncrude and Suncor contracts have ten-year terms.

BR-NGTL-023(d)

Issue:

Requests for Delivery Service from the Ft. McMurray North Hub

Reference:

Ft. McMurray Area, Section 8.2, Page 5 of 10.

Preamble:

NGTL provided a list of projects for which delivery service has been requested from NGTL from the Ft. McMurray North Hub:

- 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

Request:

Please provide an updated long-term forecast of gas demand in the Ft. McMurray area, including the forecast submitted in NGTL's Application No. 2001084.

Response:

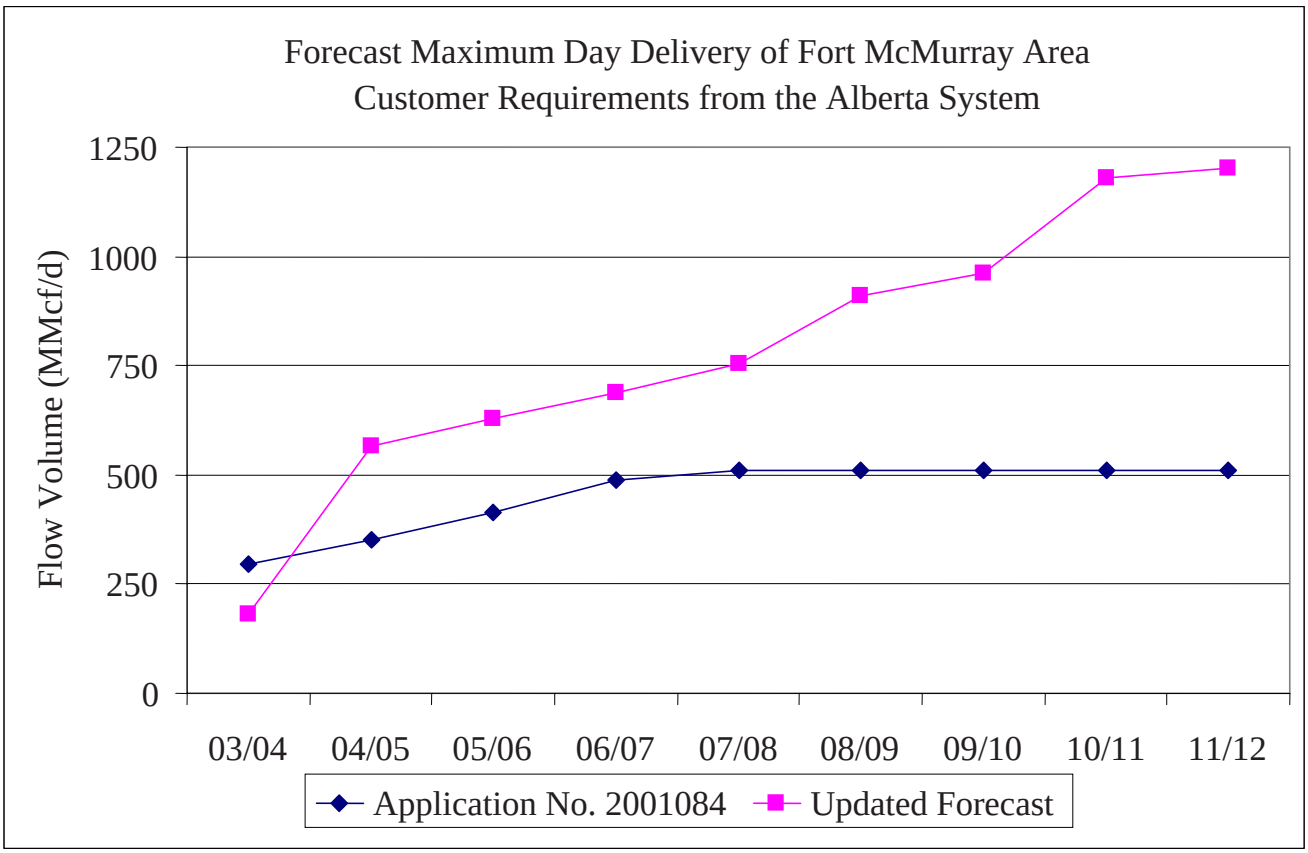
Please find below a graph showing NGTL's long-term forecast of maximum day delivery requirements for service on the Alberta System in the Fort McMurray area.

As requested, this update is compared to the demand forecast provided in NGTL's Application No. 2001084 (January 2001).

The 2001 forecast did not include the available demand served by Simmons Group Inc. facilities in the total.

BR-NGTL-023(d)

The updated forecast provides the available demand to be served by NGTL with the inclusion of Simmons pipeline system, facilities, effective April 1, 2004.



BR-NGTL-024(a)

Issue:

Costs/Benefit Expanded and Extended delivery service to Mildred Lake and North Hub

Reference:

Ft. McMurray Area, Section 8.2, Pages 6 & 7 of 10, Mildred Lake and North Hub

Preamble:

NGTL indicated that it needs to expand existing infrastructure to meet its customers' service requirement to Mildred Lake and considers this increase to be a mainline expansion, while its extension is for customers' service requirements to Syncrude Base Plant and to the Ft. McMurray North Hub to be a mainline extension. NGTL believes its customers are entitled to receive expanded and extended delivery service.

Request:

Please explain the difference between NGTL's definition of an expansion and extension as it relates to Mildred Lake and the North Hub.

Response:

Additional arrangements or facilities that NGTL requires to meet service requests at Mildred Lake represent a system expansion, while those required to meet service requests to the North Hub represent a system extension.

The following definitions for expansion and extension facilities are provided on page 2 of 11 in the Report of the Guidelines for New Facilities Task Force, attached in Section 8.0 Appendix G of the Application:

> ***Expansion Facilities:***
> NGTL will continue to identify expansions to its existing system on an annual basis as per the Annual Plan process and will expand (own/operate) its existing system to/from the point of customer connection, generally downstream in the case of receipt and upstream in the case of deliveries. This would include any loop of the existing system, metering and associated connection piping and system compression. In the event that it is more economic for a third party to EPC (Engineer, Procure & Construct) a facility to NGTL's specifications/standards, NGTL may contract with the third party to provide these services.

Extension Facilities

Extension facilities are those facilities which connect new or incremental supply or markets to the NGTL system. NGTL may construct (own/operate) extension facilities which are generally greater than or equal to 12 inches in diameter and are expected to meet the aggregate forecast of two or more facilities (gas plants/industrials). NGTL will not construct (own/operate) facilities that connect new or incremental supply or markets to the NGTL system which are generally less than 12 inches in diameter and are generally associated with one facility.

Extension Facilities Criteria

NGTL Builds (Owns/Operates)	NGTL Doesn't Build (does not Own/Operate)
Facilities to serve aggregate forecast per Annual Plan process	Facilities to service specific customer requests – whatever NGTL can't justify through Annual Plan process, third party would build
Facilities greater than or equal to 12 inches in diameter	Facilities less than 12 inches in diameter
Facilities greater than 20 kilometres in length. Associated connection piping.	Facilities less than 20 kilometres in length
Volumes greater than 100 mmcfd	Volumes less than 100 mmcfd

The determination of whether NGTL will construct the extension facility will depend on whether or not the majority of the criteria as described in the table above are met. It is anticipated once parties have had an opportunity to experience these criteria that refinements may be necessary.

In the case of service to Mildred Lake NGTL currently provides transportation service to meet existing customer requirements through a TBO arrangement on the Ventures Oil Sands Pipeline. Growth in the demand at Mildred Lake can be met by an expansion of NGTL's current infrastructure. NGTL has found it to be more economic to meet that requirement through third party service (TBO on Ventures).

Currently, Mildred Lake is the northeastern terminus of the Alberta System. For NGTL to provide service beyond Mildred Lake, to the Syncrude Base Plant or North Hub, for example, NGTL would need to extend its system. In the current Application NGTL seeks to extend service to the Syncrude Base Plant. The applied-for TBO service with Ventures is both an expansion of service to Mildred Lake and an extension of service to the Syncrude Base Plant. At this time NGTL is not seeking to extend service to the North Hub. NGTL will seek any required Board approval for any necessary facilities or costs at the appropriate time. However NGTL believes that extension of service to the Syncrude Base Plant meets the majority of the extension criteria, and any application by NGTL for

an extension to the North Hub will also comply with the requirements of the extension criteria described in the Guidelines for New Facilities.

The following table describes how these extensions meet the extension criteria.

NGTL Builds (Owns/Operates)	How the Criteria are met to serve demands at Syncrude Base Plant and North Hub

Facilities to serve aggregate forecast per Annual Plan process	As of April 2004 the aggregate forecast demand:
	• At the Syncrude Base Plant is to serve 3 plants:
	  • Syncrude Base Plant
	  • Syncrude Aurora North
	  • Community of Mackay River
	• At the North Hub is to serve one plant:
	  • Syncrude Aurora North

Facilities greater than or equal to 12 inches in diameter	• Base Plant would be served by two pipelines:
	  • Ventures NPS 24 extension
	  • Simmons through a combination of NPS 10 and NPS 16 loop
	• Facilities to extend to the North Hub are not finalized.

Facilities greater than 20 kilometres in length. Associated connection piping.	• The extension from Mildred Lake to the Syncrude Base Plant is served by a combination of both the Ventures TBO and the acquisition of the 380 km Simmons pipeline. • The extension from the Syncrude Base Plant to the North Hub is an additional 22 km.
Volumes greater than 100 MMcfd	As of April 2004 the aggregate forecast demand: • At the Syncrude Base Plant is 360 MMcfd. • At the North Hub is 50 mmcfd growing to it full contract volume of 110 MMcfd by November 2005.

The extension to the Syncrude Base Plant meets all the extension criteria. The potential extension to the North Hub cannot yet be examined against the extension criteria since the facility solution has not yet been finalized.

BR-NGTL-024(b)

Issue:

Costs/Benefit Expanded and Extended delivery service to Mildred Lake and North Hub

Reference:

Ft. McMurray Area, Section 8.2, Pages 6 & 7 of 10, Mildred Lake and North Hub

Preamble:

NGTL indicated that it needs to expand existing infrastructure to meet its customers' service requirement to Mildred Lake and considers this increase to be a mainline expansion, while its extension is for customers' service requirements to Syncrude Base Plant and to the Ft. McMurray North Hub to be a mainline extension. NGTL believes its customers are entitled to receive expanded and extended delivery service.

Request:

Please indicate the length of term of customer service requirement contracts for delivery service to Mildred Lake.

Response:

Contract terms for customers with contracts for current and future delivery service to the Mildred Lake meter stations are identified in Section 8.4, Tables 8.4-1 and 8.4-2 of the Application. The customers with FCS contracts at the Mildred Lake stations today are:

- Syncrude Base Plant – 10 year term – this contract will be moved from Mildred Lake to Base Plant upon approval of the Application.
- Suncor Firebag SAGD – 10 year term.

Customers with FCS contracts after April 1, 2004 in-service dates at the Mildred Lake stations are:

- Suncor Firebag SAGD – 10 year term.

BR-NGTL-024(c)

Issue:

Costs/Benefit Expanded and Extended delivery service to Mildred Lake and North Hub

Reference:

Ft. McMurray Area, Section 8.2, Pages 6 & 7 of 10, Mildred Lake and North Hub

Preamble:

NGTL indicated that it needs to expand existing infrastructure to meet its customers' service requirement to Mildred Lake and considers this increase to be a mainline expansion, while its extension is for customers' service requirements to Syncrude Base Plant and to the Ft. McMurray North Hub to be a mainline extension. NGTL believes its customers are entitled to receive expanded and extended delivery service.

Request:

Please indicate the cost to NGTL customers and the NGTL system, if the Board were to deny the extension and expansion to the North Hub.

Response:

At this time NGTL is only applying for expansion of service to Mildred Lake and extension of service to the Syncrude Base Plant. NGTL has not yet applied for extension of service to the North Hub. While NGTL has not applied for service to the North Hub, NGTL believes that if it should bring an application forward that is ultimately denied the implications would be similar to a denial of the current Proposed Service Solution.

NGTL believes that there would be costs to NGTL customers and the Alberta System, if the Board were to deny the extension and expansion of the Proposed Service Solution and of a future extension to the North Hub. For the purpose of this response, NGTL interprets "customer" to mean those expansion and extension customers in the Fort McMurray area, and "system" to refer to all other customers on the existing NGTL pipeline system.

BR-NGTL-024(c)

Cost to NGTL Customers

NGTL believes that a denial of the Proposed Service Solution would require its customers to contract with unregulated pipelines for service. These pipelines are aware of the cost alternatives for NGTL's customers, as a result of the information filed in this Application, and would be able to extract a premium to the costs of the Proposed Service Solution. As a result those customers would be required to negotiate with the unregulated pipelines and ultimately pay stacked tolls across multiple pipeline systems. If the customers were unable to negotiate satisfactory services they would need to construct their own facilities which, unless they were able to aggregate their demands, would not enjoy the economies of scale that the Proposed Service Solution would provide. NGTL has shown that construction of incremental facilities is more costly than the Proposed Service Solution.

NGTL also believes that future customers would face uncertainty regarding the regulatory policy against which future expansion or extension facilities would be tested. While this is not a direct cost it may result in those customers choosing more costly solutions that have a greater probability of meeting their needs than pursuing regulated solutions that have a lower chance of success.

The industrial customers that are to be served by NGTL's Proposed Service Solution have made massive investments in their projects. These projects were approved by the Board and found to be in the public interest. NGTL believes it would be in the public interest for these projects to receive cost effective service solutions, which in this case has been identified to be NGTL's Proposed Service Solution. The Board has indicated that it is in the public interest for these projects to receive regulated service. NGTL has received the requests for service, performed internal assessments and is willing to provide that service.

Cost to the Alberta System

If the Proposed Service Solution is denied NGTL would have two options: it could pursue alternative solutions to serve the market which would require construction of a new pipeline extension to serve its customers, or it would not be in a position to pursue alternatives to provide service. Both options have the potential to increase the tolls paid by the NGTL shippers.

As demonstrated in Sub-section 8.10 NGTL's Proposed Service Solution is a lower cost solution than construction of new facilities to serve the market. Construction of new facilities would therefore result in higher costs being added to NGTL's revenue requirement than the Proposed Service Solution. This would result in a higher toll. In addition, new facilities would also result in stranded pipeline capacity to the detriment of

BR-NGTL-024(c)

those pipelines. Therefore, the option to construct new facilities is more costly to the Alberta System than the Proposed Service Solution.

If NGTL did not pursue alternatives to serve the market, NGTL believes that other pipelines will. In this case the customers in the Fort McMurray area would be required to receive service from other pipelines and pay stacked tolls. A result of this may be that those unregulated pipelines would pursue direct connection of gas supply to their own systems. This could result in off-loading of receipts currently connected to the Alberta System. NGTL has observed this development in relation to other competing pipelines in the area. A continuation of this trend would result in lower volumes on the Alberta System and, therefore, higher tolls to NGTL shippers.

BR-NGTL-024(d)

Issue:

Costs/Benefit Expanded and Extended delivery service to Mildred Lake and North Hub

Reference:

Ft. McMurray Area, Section 8.2, Pages 6 & 7 of 10, Mildred Lake and North Hub

Preamble:

NGTL indicated that it needs to expand existing infrastructure to meet its customers' service requirement to Mildred Lake and considers this increase to be a mainline expansion, while its extension is for customers' service requirements to Syncrude Base Plant and to the Ft. McMurray North Hub to be a mainline extension. NGTL believes its customers are entitled to receive expanded and extended delivery service.

Request:

Please provide a cost/benefit analysis of the proposed extension and expansion.

Response:

Table 8.10-1 of the Application shows the direct costs of the Proposed Service Solution when considering a five-year forecast of facilities. Case C has a CPVCOS that is higher than the proposed service solution by $73 million. Therefore, when compared to an alternative means of providing service the Proposed Service Solution delivers a benefit to the NGTL shippers of $73 million CPVCOS. The first year capital cost of the Proposed Service Solution, Case A, would be $35.7 million which is lower than the first year capital cost if NGTL were not to use Simmons or Ventures, Case C, by $145 million.

Please also refer to the response to BR-NGTL-024(c), where other implications have been identified.

BR-NGTL-025(a)

Issue:

Customers' aggregate requirements for delivery service

Reference:

Ft. McMurray Area, Section 8.2, Page 8 of 10.

Preamble:

NGTL indicated that the proposed service solution for 2004 will enable NGTL to meet its customers' aggregate requirements for delivery service in the Ft. McMurray area for April 1, 2004 and November 1, 2004, but will not satisfy all of NGTL's customers' service requirements.

Request:

Please indicate the aggregate requirement for delivery service for 2004, including specific requirements for the expansion and extension requirements from Mildred Lake to Syncrude's Base plant.

Response:

The aggregate requirement for extension delivery service to the Syncrude Base Plant area is 460 MMcf/d for November 1, 2004. The aggregate requirement for expansion delivery service to the Mildred Lake area is 285 MMcf/d.

BR-NGTL-025(b)

Issue:

Customers' aggregate requirements for delivery service

Reference:

Ft. McMurray Area, Section 8.2, Page 8 of 10.

Preamble:

NGTL indicated that the proposed service solution for 2004 will enable NGTL to meet its customers' aggregate requirements for delivery service in the Ft. McMurray area for April 1, 2004 and November 1, 2004, but will not satisfy all of NGTL's customers' service requirements.

Request:

Please indicate NGTL's customers' service requirements that will not be met by the Proposed Service Solution.

Response:

The Proposed Service Solution allows NGTL to satisfy customers' service requirements at Mildred Lake and Syncrude's Base Plant. It does not enable NGTL to satisfy customers' service requirements to the Fort McMurray North Hub. NGTL has executed contracts to provide delivery service of 110 MMcf/d to the Fort McMurray North Hub.

In addition, NGTL's customers' service requirements at Mildred Lake and Syncrude's Base Plant that have already been contracted for on a firm basis will grow by 111 MMcf/d from April 2005 to April 2008. The Proposed Service Solution does not provide sufficient capacity to serve these volumes. NGTL anticipates applying for additional capacity/facilities to service this growth.

BR-NGTL-025(c)

Issue:

Customers' aggregate requirements for delivery service

Reference:

Ft. McMurray Area, Section 8.2, Page 8 of 10.

Preamble:

NGTL indicated that the proposed service solution for 2004 will enable NGTL to meet its customers' aggregate requirements for delivery service in the Ft. McMurray area for April 1, 2004 and November 1, 2004, but will not satisfy all of NGTL's customers' service requirements.

Request:

Please indicate whether extension requirements from Mildred Lake to Syncrude's Base plant are customer specific. If the extension is only for Syncrude's benefit, why is it considered mainline?

Response:

The extension requirement from Mildred Lake to Syncrude's Base plant is not customer specific. It will be required to meet Syncrude's Base plant and Aurora Mine site, as well the customers in the area currently receiving transportation service from Simmons.

BR-NGTL-025(d)

Issue:

Customers' aggregate requirements for delivery service

Reference:

Ft. McMurray Area, Section 8.2, Page 8 of 10.

Preamble:

NGTL indicated that the proposed service solution for 2004 will enable NGTL to meet its customers' aggregate requirements for delivery service in the Ft. McMurray area for April 1, 2004 and November 1, 2004, but will not satisfy all of NGTL's customers' service requirements.

Request:

Please indicate the additional capacity that NGTL is pursuing with Kearl Lake Steepbank Natural Gas Pipeline (Kearl Lake), which NGTL indicated is required to meet the contracted delivery service requirements a the Ft. McMurray Hub.

Response:

NGTL is pursuing an arrangement that will 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 NGTL to meet contracted customer service requirements of 3.1 $10^6 m^3/d$ (110 MMcf/d) at the Fort McMurray North Hub.

In the event that NGTL is unable to reach an acceptable arrangement with the Kearl Owners, NGTL will evaluate and may apply for its next best alternative that will allow it to serve the North Hub market.

BR-NGTL-025(e)

Issue:

Customers' aggregate requirements for delivery service

Reference:

Ft. McMurray Area, Section 8.2, Page 8 of 10.

Preamble:

NGTL indicated that the proposed service solution for 2004 will enable NGTL to meet its customers' aggregate requirements for delivery service in the Ft. McMurray area for April 1, 2004 and November 1, 2004, but will not satisfy all of NGTL's customers' service requirements.

Request:

What is the contracted delivery service requirement at the Ft. McMurray Hub.

Response:

The current contract delivery service requirement at the Fort McMurray North Hub is 110 MMcf/d (Syncrude Aurora FCS Contract as per Table 8.4.2 of the Application) for a term of 10 years. NGTL expects the markets at the Fort McMurray North Hub to grow as additional developer plants are commissioned.

BR-NGTL-025(f)

Issue:

Customers' aggregate requirements for delivery service

Reference:

Ft. McMurray Area, Section 8.2, Page 8 of 10.

Preamble:

NGTL indicated that the proposed service solution for 2004 will enable NGTL to meet its customers' aggregate requirements for delivery service in the Ft. McMurray area for April 1, 2004 and November 1, 2004, but will not satisfy all of NGTL's customers' service requirements.

Request:

Please indicate the incremental revenue generated by NGTL's Proposed service solution, based on its three components: North Central Corridor, Simmons pipeline system and TBO with Ventures on the Oil Sands Pipeline.

Response:

Approximately 1.8 $10^6 m^3/d$ (64 MMcf/d) of indigenous gas supply is currently connected to the Simmons pipeline system. NGTL expects the owners of this supply will seek service from NGTL following its acquisition of the facilities. These volumes would result in annual revenues to NGTL of approximately $3 million per year. NGTL is forecasting this revenue to be generated through FT-P service which represents a combined FT-R and FT-A service.

In addition, all three components provide NGTL with the ability to meet customer requests for delivery service to the Ft. McMurray market. By meeting customer requests for delivery service, NGTL will retain or increase receipt service on its system and thus maintain or increase revenues. The alternative is for another supplier to provide the delivery service and in so doing, could offload some of the receipt service currently provided by NGTL.

BR-NGTL-025(f)

This situation materialized in the case of ATCO's Muskeg River Pipeline. ATCO originally stated it would source gas from the Alberta System. However, a portion of ATCO volume is now sourced directly from indigenous supply that was previously connected to the Alberta System. Accordingly, NGTL has lost receipt service and the corresponding revenue from approximately 20 MMcf/d.

BR-NGTL-025(g)

Issue:

Customers' aggregate requirements for delivery service

Reference:

Ft. McMurray Area, Section 8.2, Page 8 of 10.

Preamble:

NGTL indicated that the proposed service solution for 2004 will enable NGTL to meet its customers' aggregate requirements for delivery service in the Ft. McMurray area for April 1, 2004 and November 1, 2004, but will not satisfy all of NGTL's customers' service requirements.

Request:

On page 9 of 10 of Section 8.2, NGTL indicated that an application will be filed by mid-October 2003 for the North Central Corridor Phase 1. Please advise as to the status this application.

Response:

An application for a permit to construct the North Central Corridor (Peerless Lake Section) Phase 1 was filed with the Board on October 8, 2003 and approved on October 15, 2003.

BR-NGTL-025(h)

Issue:

Customers' aggregate requirements for delivery service

Reference:

Ft. McMurray Area, Section 8.2, Page 8 of 10.

Preamble:

NGTL indicated that the proposed service solution for 2004 will enable NGTL to meet its customers' aggregate requirements for delivery service in the Ft. McMurray area for April 1, 2004 and November 1, 2004, but will not satisfy all of NGTL's customers' service requirements.

Request:

Based on the NGTL's proposed service solution, please indicate the additional capacity that the North Central Corridor, the acquisition of the Simmons pipeline system, and the Ventures TBO arrangement will provide NGTL and its customers versus firm customers contract commitments, and non-binding agreements.

Response:

The additional capacity provided by the Proposed Service Solution for April 1, 2004 and November 1, 2004 versus firm customer contracts and forecast maximum day delivery is shown in the tables below. Non-binding agreements have been considered in determining the forecast of flows on to the Liege Header for April 1, 2004 and November 1, 2004. This is consistent with NGTL's normal forecasting practice. Volumes that are non-binding but have been included in the forecast are 0.36 $10^6 m^3/d$ for April 2004, and 0.53 $10^6 m^3/d$ for November 2004. Off of the Liege Header no non-binding volumes have been included in the forecast for April 2004 and November 2004.

BR-NGTL-025(h)

Additional and Existing Capacity versus Contract and Forecast On the Liege Header

Month in 2004	Existing Capacity ($10^6 m^3/d$)	Additional Capacity ($10^6 m^3/d$)	Contracts ($10^6 m^3/d$)	Forecast ($10^6 m^3/d$)
April	13.26	4.12	24.24	17.38
November	12.59	9.08	25.65	21.67

Additional and Existing Capacity versus Contract and Forecast Off the Liege Header

Month in 2004	Existing Capacity ($10^6 m^3/d$)	Additional Capacity ($10^6 m^3/d$)	Contracts ($10^6 m^3/d$)	Forecast ($10^6 m^3/d$)
April	4.78	6.94	14.13	11.72
November	0.00	15.30	15.54	15.30

BR-NGTL-026(a)

Issue:

FCS Contracts and Customer Requirements

Reference:

Ft. McMurray Area Delivery Requirements**,** Section 8.3 Page 2 of 4, & 8.4, Pages 2 & 3 of 9.

Preamble:

NGTL described the facilities that deliver gas onto and off the Liege Header and NGTL's present transport ability.

Request:

Please indicate the additional capacity that NGTL would be able to transport on and off the Liege header based on the Proposed Services Solution.

Response:

Implementation of the Proposed Service Solution will provide NGTL additional capacity to transport 9.07 $10^6 m^3/d$ (322 MMcf/d) on to the Liege Header and 9.78 $10^6 m^3/d$ (347 MMcf/d) off the Liege Header for the winter season of the 2004/2005 Gas Year. Please refer to the figures in BR-NGTL-025(h) for additional information about system capacity and contract requirements.

BR-NGTL-026(b)

Issue:

FCS Contracts and Customer Requirements

Reference:

Ft. McMurray Area Delivery Requirements**,** Section 8.3 Page 2 of 4, & 8.4, Pages 2 & 3 of 9.

Preamble:

NGTL described the facilities that deliver gas onto and off the Liege Header and NGTL's present transport ability.

Request:

NGTL provided contract execution dates and term for FCS contracts on and off the Liege Header in Tables 8.4-1 and 8.4.2. Are all FCS contracts indicated in Tables 8.4-1 and 8.4.2 binding agreements?

Response:

Yes.

BR-NGTL-026(c)

Issue:

FCS Contracts and Customer Requirements

Reference:

Ft. McMurray Area Delivery Requirements**,** Section 8.3 Page 2 of 4, & 8.4, Pages 2 & 3 of 9.

Preamble:

NGTL described the facilities that deliver gas onto and off the Liege Header and NGTL's present transport ability.

Request:

Please indicate any re-opener provisions or termination rights that are included in these FCS contracts.

Response:

These FCS agreements do not include re-opener provisions. These FCS agreements contain the following standard termination provisions:

i) Section 4.2 of Rate Schedule FCS provides that the Service Agreement terminates on the latest Service Termination Date of a Schedule of Service under Rate Schedule FCS;
ii) Section 6.0 of Rate Schedule FCS provides that, if the Facilities have not been used for a period of six (6) months, NGTL may in its sole discretion decide to retire the Facilities, and customer shall pay an amount equal to the net book value of such facilities adjusted for all costs and expenses associated with such retirement;
iii) Section 5 of the Rate Schedule FCS provides that NGTL may suspend Service if customer fails to provide the assurances and information requested by NGTL under Section 5; and
iv) Sections 5.7.2 and 10.2 of the Tariff General Terms and Conditions provide respectively that NGTL may suspend service for a customer's failure to pay a bill or provide financial assurances.

BR-NGTL-026(d)

Issue:

FCS Contracts and Customer Requirements

Reference:

Ft. McMurray Area Delivery Requirements**,** Section 8.3 Page 2 of 4, & 8.4, Pages 2 & 3 of 9.

Preamble:

NGTL described the facilities that deliver gas onto and off the Liege Header and NGTL's present transport ability.

Request:

Based on these FCS contracts and terms, please explain why NGTL needs a TBO arrangement with Ventures with a 25-year term.

Response:

Please refer to the response to BR-NGTL-021(a).

BR-NGTL-026(e)

Issue:

FCS Contracts and Customer Requirements

Reference:

Ft. McMurray Area Delivery Requirements**,** Section 8.3 Page 2 of 4, & 8.4, Pages 2 & 3 of 9.

Preamble:

NGTL described the facilities that deliver gas onto and off the Liege Header and NGTL's present transport ability.

Request:

Please indicate NGTL's position as to the impact of the Proposed Services Solution on the competitive pipeline landscape in the Ft. McMurray area.

Response:

Apart from NGTL, no other pipeline provides regulated services into the Fort McMurray area. This is unusual as all other major industrial locations in Alberta such as Fort Saskatchewan and Joffre do receive regulated service. The impact of the Proposed Service Solution on the competitive pipeline landscape in the Fort McMurray area is, from NGTL's perspective, unclear. NGTL is not privy to the commercial arrangements between non-regulated pipelines that provide service into Fort McMurray and their customers. Non-regulated pipeline rates and services are negotiated and kept confidential, whereas NGTL rates and services are open and transparent to all.

What is clear to NGTL is that customers in the Fort McMurray market have requested regulated service. The Board stated in Decision 2002-16 that it believes that is in the public interest for mainline service to be provided into the Fort McMurray area. NGTL's Proposed Service Solution provides mainline service into the Fort McMurray area. NGTL believes the effect of the Proposed Service Solution will be to promote cost efficiencies, secure gas supplies, and to enhance fair and consistent access to gas requirements by all industrial customers in the area.

BR-NGTL-026(e)

Importantly, the Proposed Service Solution is the result of an open and transparent process involving stakeholders to discuss available alternatives for NGTL to serve the growing demand in the Fort McMurray area. In responding to customer requests, 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. Specifically, NGTL identified existing infrastructure that could potentially be available to meet area delivery requirements and issued a Request for Proposal (RFP) to area pipeline operators that provided an equal opportunity to compete to provide service.

BR-NGTL-026(f)

Issue:

FCS Contracts and Customer Requirements

Reference:

Ft. McMurray Area Delivery Requirements**,** Section 8.3 Page 2 of 4, & 8.4, Pages 2 & 3 of 9.

Preamble:

NGTL described the facilities that deliver gas onto and off the Liege Header and NGTL's present transport ability.

Request:

Does NGTL foresee the possibility of stranded assets and underutilized capacity arising from its Proposed Services Solution?

Response:

Although the possibility of stranded assets and underutilized capacity exists, NGTL believes its Proposed Service Solution will minimize that potential and promote efficient, orderly and economic development of the pipeline infrastructure in the area.

NGTL and its stakeholders developed several key objectives though the consultative process, including the utilization of existing infrastructure wherever possible. Through the process of determining the lowest cost alternative for meeting its customers' service requests, NGTL contacted each of the existing pipeline operators in the area to determine their interest in leasing or selling some or all of their pipeline capacity to NGTL. In reaching an agreement with Ventures and Simmons, NGTL reduced the possibility that existing pipeline infrastructure would be not be stranded or underutilized, while providing NGTL with the ability to meet its customers' service requests at the lowest overall cost through its Proposed Service Solution.

BR-NGTL-026(g)

Issue:

FCS Contracts and Customer Requirements

Reference:

Ft. McMurray Area Delivery Requirements**,** Section 8.3 Page 2 of 4, & 8.4, Pages 2 & 3 of 9.

Preamble:

NGTL described the facilities that deliver gas onto and off the Liege Header and NGTL's present transport ability.

Request:

Please confirm whether any gas is currently flowing or contracted to satisfy the specific customers (those listed in Section 8.2, page 5 of 10) that requested delivery service in the Ft. McMurray area.

Response:

Please refer to the response to BR-NGTL-023(b).

BR-NGTL-026(h)

Issue:

FCS Contracts and Customer Requirements

Reference:

Ft. McMurray Area Delivery Requirements**,** Section 8.3 Page 2 of 4, & 8.4, Pages 2 & 3 of 9.

Preamble:

NGTL described the facilities that deliver gas onto and off the Liege Header and NGTL's present transport ability.

Request:

Please provide the commencement date of incremental FS Volumes?

Response:

April 1, 2004.

BR-NGTL-026(i)

Issue:

FCS Contracts and Customer Requirements

Reference:

Ft. McMurray Area Delivery Requirements**,** Section 8.3 Page 2 of 4, & 8.4, Pages 2 & 3 of 9.

Preamble:

NGTL described the facilities that deliver gas onto and off the Liege Header and NGTL's present transport ability.

Request:

Who bears the risk of executing the proposed TBO arrangement if the services requested do not materialize?

Response:

The requested services have materialized. NGTL has executed contracts for the services requested by its customers in an amount that supports the TBO arrangement.

BR-NGTL-026(j)

Issue:

FCS Contracts and Customer Requirements

Reference:

Ft. McMurray Area Delivery Requirements**,** Section 8.3 Page 2 of 4, & 8.4, Pages 2 & 3 of 9.

Preamble:

NGTL described the facilities that deliver gas onto and off the Liege Header and NGTL's present transport ability.

Request:

Are all the service requests underpinning the Proposed Services Solution strictly for delivery?

Response:

Yes. The service requests underpinning the Proposed Service Solution are for delivery service.

The acquisition of the Simmons pipeline system will also result in incremental requests for FT-R, FT-RN, or FT-P service.

BR-NGTL-027(a)

Issue:

Cost Accountability

Reference:

Ft. McMurray Area Facility Build-Up**,** Section 8.4, P. 4 of 9.

Preamble:

NGTL indicated that the incremental service NGTL is proposing in the Ft. McMurray area is cost accountable based on NGTL's FT-A rate and its Extension Annual Volume commitment for Facility Connection Service contracts associated with mainline extension and Minimum Annual Volume commitment associated with FCS contracts.

Request:

Please indicate the additional revenue NGTL capture via incremental service through the FT-A rate, MAV, and EAV.

Response:

NGTL is not anticipating any additional revenue being generated through the MAV and EAV obligations associated with FCS service. NGTL believes the customers will utilize these facilities sufficiently to meet their MAV obligation and thus provide sufficient revenue via other services such as FT-A, FT-R and FT-P.

Please refer to the response to BR-NGTL-025(f) for an estimation of the revenue impact associated with NGTL providing this incremental delivery service to the Ft. McMurray market.

BR-NGTL-027(b)

Issue:

Cost Accountability

Reference:

Ft. McMurray Area Facility Build-Up**,** Section 8.4, P. 4 of 9.

Preamble:

NGTL indicated that the incremental service NGTL is proposing in the Ft. McMurray area is cost accountable based on NGTL's FT-A rate and its Extension Annual Volume commitment for Facility Connection Service contracts associated with mainline extension and Minimum Annual Volume commitment associated with FCS contracts.

Request:

Does NGTL expect incremental receipt volumes from these incremental services?

Response:

Yes. Generally the connection of markets leads to retention of existing supply and/or attraction of new supply. In addition, the acquisition of the Simmons pipeline directly adds incremental receipts to the Alberta System.

When NGTL connects directly to new markets, it follows that receipts must be received onto and flow through the NGTL system for the delivery to occur. As a result, incremental receipts do result from this incremental service. This is true even in a constrained supply situation as it is possible for another delivery system to connect to the market and direct connect to receipts thus eliminating the opportunity for these receipts to connect to NGTL. Please refer to the response to BR-NGTL 24(c).

In addition to the higher level explanation above, NGTL expects incremental receipt volumes that are directly connected to the Simmons pipeline system. This will be incremental NGTL receipts and are a direct result of NGTL providing the incremental FCS service to the market.

BR-NGTL-027(c)

Issue:

Cost Accountability

Reference:

Ft. McMurray Area Facility Build-Up**,** Section 8.4, P. 4 of 9.

Preamble:

NGTL indicated that the incremental service NGTL is proposing in the Ft. McMurray area is cost accountable based on NGTL's FT-A rate and its Extension Annual Volume commitment for Facility Connection Service contracts associated with mainline extension and Minimum Annual Volume commitment associated with FCS contracts.

Request:

In Table 8.4-1, NGTL lists both contracts and requests for service off of the Liege Header Based on NGTL's past experience, what percentage of non-binding requests fail to become binding contractual agreements.

Response:

The applied for facilities are required to meet binding contracts. These are FCS contract volumes as illustrated in Figure 8.4.2 and itemized in the upper portion of Table 8.4.1 (page 7 of 9).

The non-binding requests, as itemized in the lower portion of Table 8.4.2 are considered in the development of the forecast. NGTL is not applying for facilities at this time to meet the non-binding requests. When the requests for service become binding, NGTL will request the approval of new facilities necessary to meet those requests.

It is NGTL's experience that once an end-use project has received the required internal and external approvals to proceed, developers who have submitted non-binding requests to NGTL execute binding contractual agreements.

BR-NGTL-027(d)

Issue:

Cost Accountability

Reference:

Ft. McMurray Area Facility Build-Up**,** Section 8.4, P. 4 of 9.

Preamble:

NGTL indicated that the incremental service NGTL is proposing in the Ft. McMurray area is cost accountable based on NGTL's FT-A rate and its Extension Annual Volume commitment for Facility Connection Service contracts associated with mainline extension and Minimum Annual Volume commitment associated with FCS contracts.

Request:

Please provide a larger map detailing existing facilities in the area, the 2004 proposed service solutions, and future NGTL Ft. McMurray build-up plans.

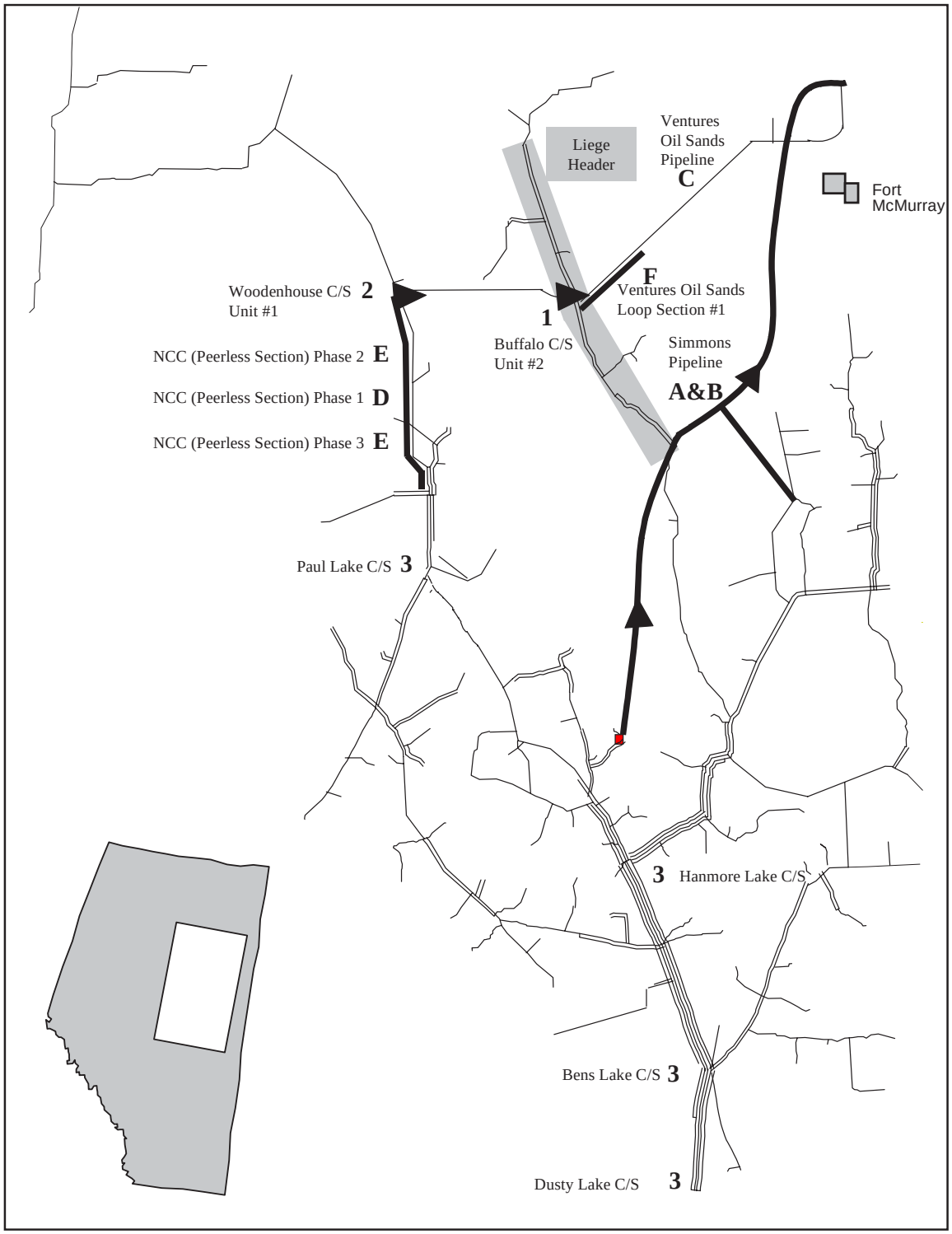
Response:

The figure below is a larger map detailing the proposed facilities as shown in Figure 8.5-1 of Section 8.5 of the Application.

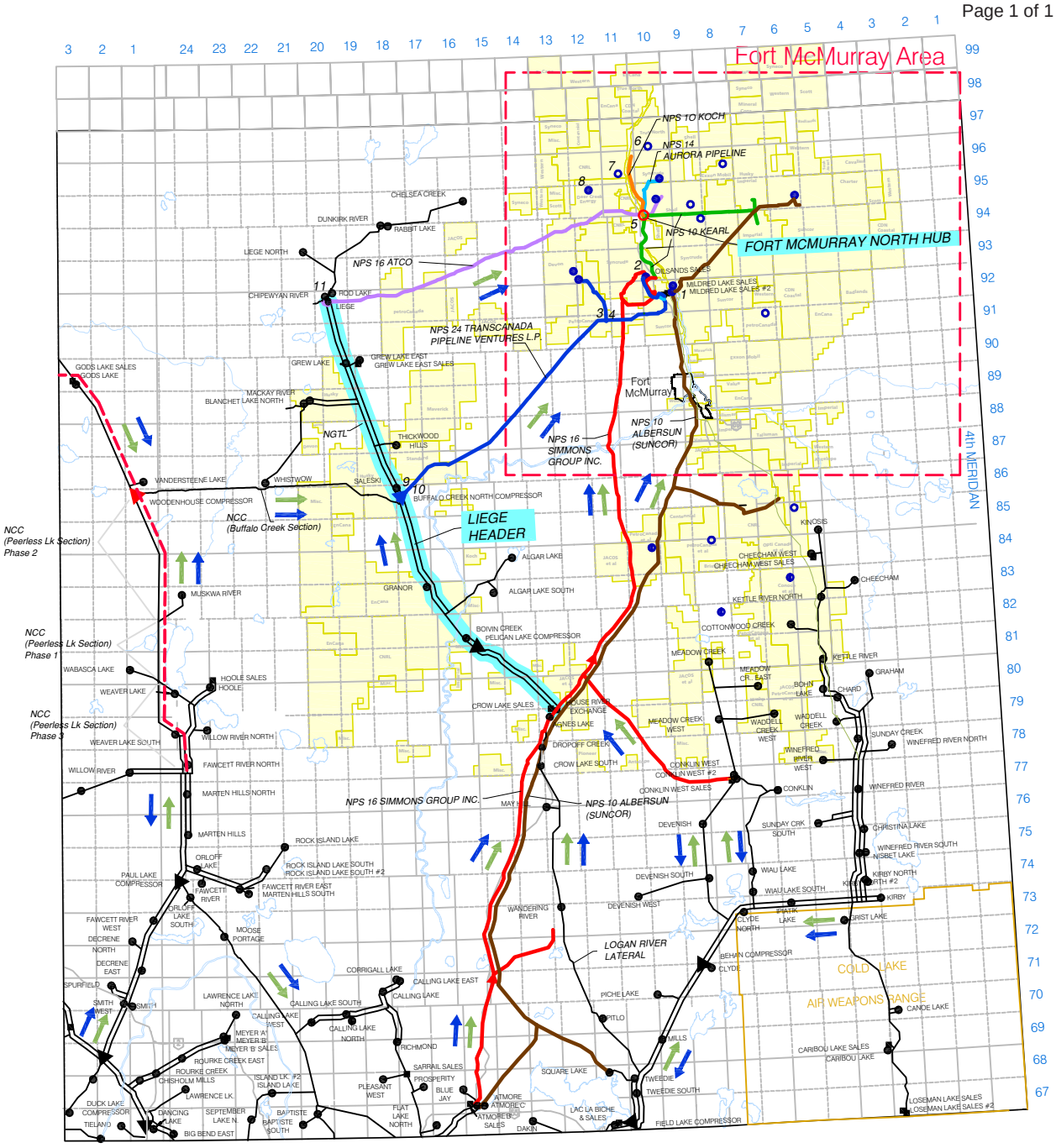
Attachment 1 BR-NGTL-27(d) and Attachment 2 BR-NGTL-27(d) are larger maps detailing the existing facilities in the area as shown in Figure 8.2-1 and 8.2-2 of Section 8.2 of the Application.

BR-NGTL-027(d)

Proposed and Potential Service Solution 2004-2008



NORTH EAST ALBERTA OILSANDS REGION



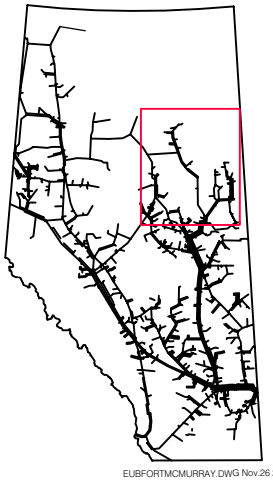
2004 Design Flow
2004 Average Forecast Flow

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

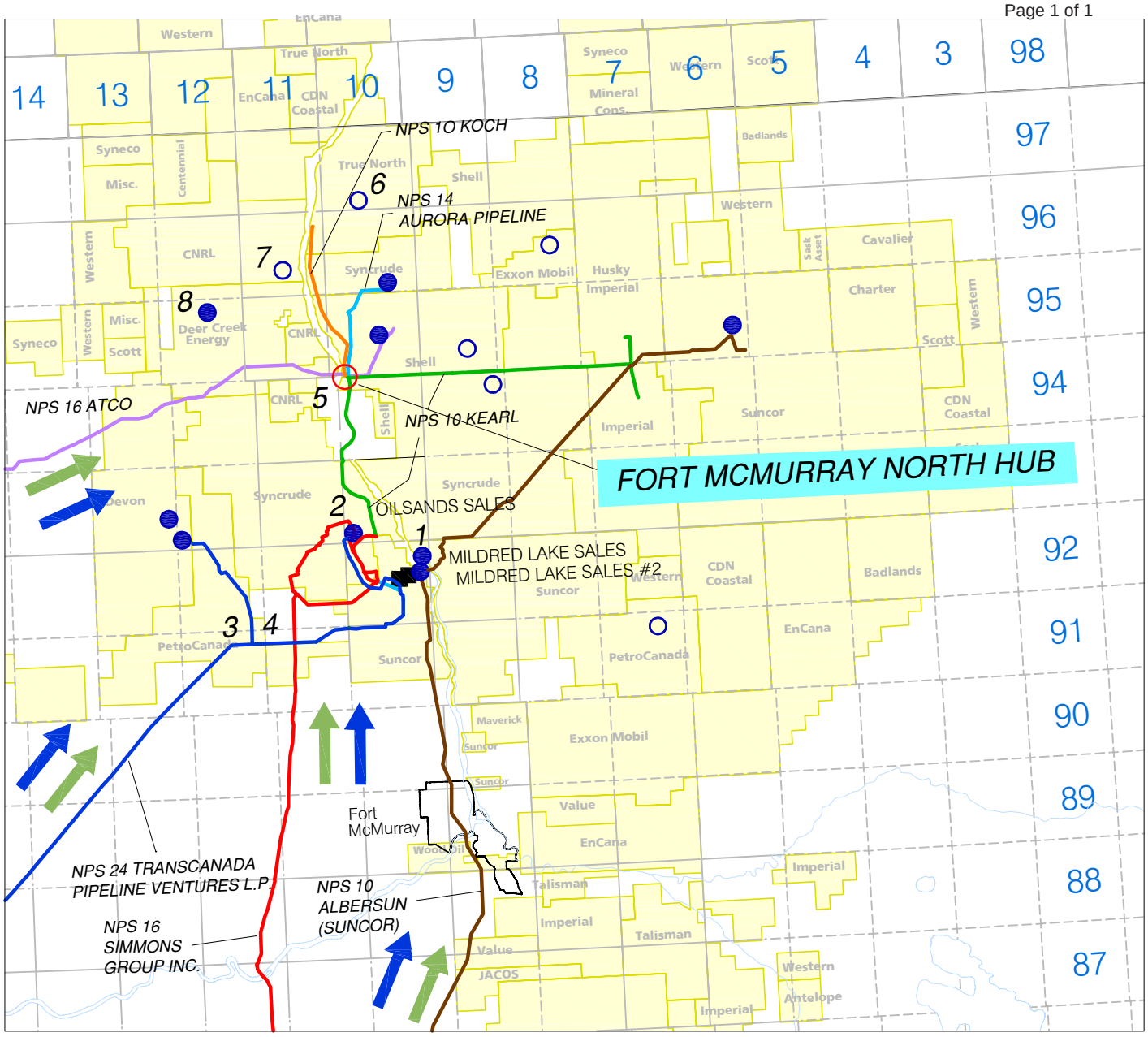
Pipeline Operators
- ATCO PIPELINES
- SUNCOR ENERGY INC. (ALBERSUN PIPELINE)
- SIMMONS GROUP INC.
- TRANSCANADA PIPELINE VENTURES L.P.
- KEARL LAKE STEEP BANK
- SYNCRUDE
- KOCH
- EXISTING OILSANDS PLANT
- PROPOSED OILSANDS PLANT

NGTL Facilities
- PIPELINE
- PROPOSED PIPELINE
- RECEIPT STATION
- COMPRESSOR
- SALES STATION
- PROPOSED COMPRESSOR



EUBFORTMCMURRAY.DWG Nov 26 2003

Fort McMurray Area



2004 Design Flow
2004 Average Forecast Flow

Contract Reference Number
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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

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- EXISTING OILSANDS PLANT
- PROPOSED OILSANDS PLANT

NGTL Facilities
- PIPELINE
- PROPOSED PIPELINE
- RECEIPT STATION
- COMPRESSOR
- SALES STATION
- PROPOSED COMPRESSOR

BR-NGTL-027(e)

Issue:

Cost Accountability

Reference:

Ft. McMurray Area Facility Build-Up**,** Section 8.4, P. 4 of 9.

Preamble:

NGTL indicated that the incremental service NGTL is proposing in the Ft. McMurray area is cost accountable based on NGTL's FT-A rate and its Extension Annual Volume commitment for Facility Connection Service contracts associated with mainline extension and Minimum Annual Volume commitment associated with FCS contracts.

Request:

Please explain the short-term and long-term impact of NGTL's Proposed Service Solutions on the competitive pipeline landscape in the Ft. McMurray area.

Response:

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

BR-NGTL-027(f)

Issue:

Cost Accountability

Reference:

Ft. McMurray Area Facility Build-Up**,** Section 8.4, P. 4 of 9.

Preamble:

NGTL indicated that the incremental service NGTL is proposing in the Ft. McMurray area is cost accountable based on NGTL's FT-A rate and its Extension Annual Volume commitment for Facility Connection Service contracts associated with mainline extension and Minimum Annual Volume commitment associated with FCS contracts.

Request:

Please indicate the impact of the proposed service solutions on cost accountability.

Response:

The proposed service solution is independent of cost accountability. Cost accountability is achieved through the FCS (EAV and MAV) and the FT-A and FT-P services. Indirect cost accountability is achieved through receipt services.

BR-NGTL-028(a)

Issue:

Impact of North Central Corridor on Simmons Pipeline

Reference:

Ft. McMurray Area, Section 8.5, P. 3 of 5, lines 3-13.

Preamble:

NGTL indicated that the construction of the North Central Corridor will allow NGTL to source the majority of required supply to serve the Ft. McMurray area and may reduce the flow of gas into the Liege Header from the Simmons Pipeline system. Simmons will continue to provide supply security and operational flexibility.

Request:

Please provide the forecast in service date for the North Central Corridor.

Response:

For the purpose of this analysis, NGTL used an in-service date of April 1, 2008. However, the forecast date of the portion of the North Central Corridor that will connect NGTL's infrastructure in northwest Alberta with its facilities in northeast Alberta is uncertain.

BR-NGTL-028(b)

Issue:

Impact of North Central Corridor on Simmons Pipeline

Reference:

Ft. McMurray Area, Section 8.5, P. 3 of 5, lines 3-13.

Preamble:

NGTL indicated that the construction of the North Central Corridor will allow NGTL to source the majority of required supply to serve the Ft. McMurray area and may reduce the flow of gas into the Liege Header from the Simmons Pipeline system. Simmons will continue to provide supply security and operational flexibility.

Request:

Please indicate NGTL's forecast of the Simmon's pipeline utilization versus capacity arising from the construction of the North Central Corridor.

Response:

NGTL's forecast utilization of the Simmons pipeline capacity to transport the forecast maximum day delivery both before and after the construction of the North Central Corridor is 100%.

BR-NGTL-028(c)

Issue:

Impact of North Central Corridor on Simmons Pipeline

Reference:

Ft. McMurray Area, Section 8.5, P. 3 of 5, lines 3-13.

Preamble:

NGTL indicated that the construction of the North Central Corridor will allow NGTL to source the majority of required supply to serve the Ft. McMurray area and may reduce the flow of gas into the Liege Header from the Simmons Pipeline system. Simmons will continue to provide supply security and operational flexibility.

Request:

Please indicate and explain the value that NGTL would attach to Simmons ability to provide security of supply and operational flexibility.

Response:

NGTL did not include any specific value for security of supply or operational flexibility in its valuation of the Simmons pipeline.

While this value is difficult to quantify generally, it can be qualified as an enhanced reliability of the system. In the case of a planned or unplanned outage of the system multiple paths will allow NGTL the ability to reroute gas flow around the outage to maximize its ability to meet its transportation requirements.

Following the construction of the North Central Corridor the northern part of the Simmons pipeline will continue to be used to meet forecast maximum day delivery requirements.

BR-NGTL-029(a)

Issue:

Simmons Pipeline Aquisition

Reference:

The Simmons Pipeline System Acquisition, Section 8.7, P. 3 of 5, lines 3-13.

Preamble:

The Board is interested in further clarity as to the valuation and benefits of the Simmons Pipeline acquisition by NGTL.

Request:

When evaluating the purchase price for the Simmons Pipeline system, please indicate the factors that NGTL considered as to the acquisition value of the system.

Response:

The process that NGTL used to evaluate the Simmons acquisition incorporated the assessment of the following factors:

- the capacity of the Simmons pipeline;
- how the Simmons pipeline could be integrated into the Alberta System;
- operating costs;
- income tax issues;
- factors including the age of the assets, pipeline condition, integrity, geo-technical issues, current facilities and equipment;
- personnel matters; and
- contractual commitments.

These factors were incorporated in the least cost evaluation of the Simmons acquisition and compared to all NGTL alternatives. This allowed NGTL to determine the price at which the acquisition of the Simmons pipeline became the least cost way to serve the market.

NGTL negotiated to a purchase price that is less than NGTL's next best alternative.

BR-NGTL-029(b)

Issue:

Simmons Pipeline Aquisition

Reference:

The Simmons Pipeline System Acquisition, Section 8.7, P. 3 of 5, lines 3-13.

Preamble:

The Board is interested in further clarity as to the valuation and benefits of the Simmons Pipeline acquisition by NGTL.

Request:

Please indicate the book value of the Simmons pipeline.

Response:

NGTL does not have this information.

BR-NGTL-029(c)

Issue:

Simmons Pipeline Aquisition

Reference:

The Simmons Pipeline System Acquisition, Section 8.7, P. 3 of 5, lines 3-13.

Preamble:

The Board is interested in further clarity as to the valuation and benefits of the Simmons Pipeline acquisition by NGTL.

Request:

Please provide the incremental revenues gained from the proposed acquisition from both delivery and receipt customers, and explain where the gas comes from.

Response:

Table 8.7-3 on page 8 of section 8.7 of the Application shows a forecast of the incremental revenue expected from the receipts that currently flow on the Simmons system assuming a FT-P toll of 13.9 cents/Mcf. The FT-P toll includes both a receipt and delivery toll. If the producers connected to the Simmons pipeline system choose to contract under the FT-R toll the incremental revenue gained from the proposed acquisition would be greater than the amount shown in Table 8.7-3.

The gas comes from the producers directly connected to the Simmons pipeline system.

Please refer to the response to BR-NGTL-024(c) for additional information.

BR-NGTL-029(d)

Issue:

Simmons Pipeline Aquisition

Reference:

The Simmons Pipeline System Acquisition, Section 8.7, P. 3 of 5, lines 3-13.

Preamble:

The Board is interested in further clarity as to the valuation and benefits of the Simmons Pipeline acquisition by NGTL.

Request:

Please indicate what consideration NGTL gave to the age of the Simmons systems, and any possible improvements/replacement costs that may be required.

Response:

NGTL performed an extensive due diligence review of the pipeline, compression and meter stations to determine any possible improvements/replacements that would be required because of the age of the Simmons pipeline system. The result of this review revealed that there were no significant integrity concerns with the pipeline, however the cost to integrate the pipeline into the Alberta System was estimated to be $1.3 Million. A break down of these costs is shown in the table below. These improvement/replacement costs were included in the CPVCOS analysis.

BR-NGTL-029(d)

Category	Estimated Cost
Environment, Land and Health	214,920
Measurement	160,000
SCADA and Automation	4,400
Gas Quality and Lab	50,000
Compression	400,000
Cathodic Protection	5,000
Welding Documentation	5,000
Geotechnical	40,000
ORION Data Conversion	175,000
Project Management	160,000
Information Systems	88,000
Customer Service Nominations	10,000
AFUDC	13,123
Total	1,325,443

BR-NGTL-029(e)

Issue:

Simmons Pipeline Aquisition

Reference:

The Simmons Pipeline System Acquisition, Section 8.7, P. 3 of 5, lines 3-13.

Preamble:

The Board is interested in further clarity as to the valuation and benefits of the Simmons Pipeline acquisition by NGTL.

Request:

Please indicate the reasons why NGTL considers a purchase of the Simmons to be more advantageous at this time, versus its historical use of TBO arrangements with Simmons.

Response:

NGTL investigated both an acquisition of the Simmons pipeline system and also a TBO arrangement. Simmons declined to provide a TBO bid in reply to the RFP. Furthermore, the Simmons owners advised they did not wish to pursue a TBO arrangement therefore acquisition became the only alternative to construction of new facilities.

BR-NGTL-029(f)

Issue:

Simmons Pipeline Aquisition

Reference:

The Simmons Pipeline System Acquisition, Section 8.7, P. 3 of 5, lines 3-13.

Preamble:

The Board is interested in further clarity as to the valuation and benefits of the Simmons Pipeline acquisition by NGTL.

Request:

Please contrast NGTL's rationale for acquiring the Simmon's pipeline versus the 25-year term TBO with Ventures.

Response:

In the case of Ventures, the 25 year TBO was the least cost alternative. Build and buy alternatives were more expensive and therefore were not justifiable.

In the case of Simmons, the acquisition was the least cost alternative when compared to a build alternative and a TBO was not acceptable to Simmons.

BR-NGTL-029(g)

Issue:

Simmons Pipeline Aquisition

Reference:

The Simmons Pipeline System Acquisition, Section 8.7, P. 3 of 5, lines 3-13.

Preamble:

The Board is interested in further clarity as to the valuation and benefits of the Simmons Pipeline acquisition by NGTL.

Request:

Please explain why NGTL did not consider acquiring Simmons as a deregulated pipeline, and maintain it separate from NGTL's rate base as it has with Ventures.

Response:

NGTL's service requests were for regulated service provided under the NGTL Tariff.

BR-NGTL-029(h)

Issue:

Simmons Pipeline Aquisition

Reference:

The Simmons Pipeline System Acquisition, Section 8.7, P. 3 of 5, lines 3-13.

Preamble:

The Board is interested in further clarity as to the valuation and benefits of the Simmons Pipeline acquisition by NGTL.

Request:

Please indicate the maximum capacity of the Simmons pipeline versus expected contracted demand.

Response:

The capacity of the Simmons pipeline to the Liege Header is approximately 7.92 $10^6 m^3/d$ (281 MMcf/d) and the capacity off of the Liege Header to the Fort McMurray area is 5.07 $10^6 m^3/d$ (180 MMcf/d). All of Simmons capacity will be required to meet the contracted demand.

BR-NGTL-029(i)

Issue:

Simmons Pipeline Aquisition

Reference:

The Simmons Pipeline System Acquisition, Section 8.7, P. 3 of 5, lines 3-13.

Preamble:

The Board is interested in further clarity as to the valuation and benefits of the Simmons Pipeline acquisition by NGTL.

Request:

Please indicate the percentage of capacity that is currently being utilized on the Simmons Pipelines system, and the incremental volumes and revenues arising from NGTL's acquisition.

Response:

The current contractual arrangements on the Simmons pipeline system are confidential. Capacity utilization will increase and incremental volumes will flow on the Simmons pipeline following the acquisition.

BR-NGTL-029(j)

Issue:

Simmons Pipeline Aquisition

Reference:

The Simmons Pipeline System Acquisition, Section 8.7, P. 3 of 5, lines 3-13.

Preamble:

The Board is interested in further clarity as to the valuation and benefits of the Simmons Pipeline acquisition by NGTL.

Request:

Please provide the maturity of the indigenous gas supply currently connected to Simmons and expected term of required receipt service, and its impact on the economic viability of the project.

Response:

NGTL has assumed that the gas supply currently connected to the Simmons facilities will exhibit similar production characteristics to all gas supply in the area. NGTL has applied a decline rate of approximately 10%, derived from connected Simmons supply (and consistent with a composite decline rate of supply in the area), to the currently connected Simmons supply. NGTL has received current receipt volumes from Simmons, and has provided an aggregate total of these volumes in Table 8.7-3. Applying the composite decline rate to the current receipt volumes gives the production profile used to determine a revenue stream, which has been included in determining the value of the Simmons receipts.

The CPVCOS and receipt revenues attributable to the Simmons facilities are provided separately in NGTL's application in Tables 8.10-1 and 8.10-2 (CPVCOS), and Table 8.7-3 (receipt revenues). NGTL would emphasize that receipt revenue was not considered in the CPVCOS results shown for the Proposed Service Solution. If these receipt revenues had been considered, the CPVCOS results would have been even more positive.

BR-NGTL-029(j)

Based on current receipt volumes, and a composite decline rate of approximately 10%, NGTL believes that there will still be receipt requirements on the Simmons system beyond the 10-year horizon used in the CPVCOS calculation. Some additional uncertainty as to future receipt volumes results from the gas over bitumen issue addressed in GB 2003-28. As there was little information as to the eventual outcome of this issue at the time of filing, NGTL has shown the effect on receipt revenues if all, or none, of the wells identified in GB 2003-28 were shut in.

BR-NGTL-029(k)

Issue:

Simmons Pipeline Aquisition

Reference:

The Simmons Pipeline System Acquisition, Section 8.7, P. 3 of 5, lines 3-13.

Preamble:

The Board is interested in further clarity as to the valuation and benefits of the Simmons Pipeline acquisition by NGTL.

Request:

Please indicate whether receipt customers currently served on the Simmons pipeline will have to pay a higher toll due to NGTL's acquisition. Please provide the Simmon's current toll for receipt customers versus NGTL's toll.

Response:

Simmon's toll to ship gas to the Alberta System is a distance (kilometer) based-toll based on throughput.

To access NIT, a receipt customer on Simmons would pay a "stacked toll" comprised of:

1. The Simmons toll based on the distance they were from than NGTL interconnect. Simmons has indicated to NGTL that this charge is \$0.033 /$10^3 m^3$/km. For comparative purposes a receipt customer moving 50 km on the Simmons system would, under this tariff, pay approximately 4.7¢/Mcf.

2. The NGTL posted FT-R rate at one of the Simmons-NGTL interconnects (Atmore 21.9¢/Mcf, Conklin 25.4¢/Mcf, or House River 25.4¢/Mcf).

Should NGTL's proposed acquisition of the Simmons pipeline system be approved, receipt customers wishing to access NIT would pay the single NGTL FT-R toll and, therefore, would pay a lower toll due to NGTL's acquisition.

BR-NGTL-029(k)

NGTL assumes that receipt customers currently served on the Simmons pipeline have the opportunity to ship their gas directly to the industrial end-user market on Simmons. The net back pricing for these arrangements are negotiated between the industrial end-user and the receipt customer and are, NGTL assumes, generally based on the NIT price less the avoided cost of the applicable NGTL FT-R toll. With NGTL's acquisition of Simmons, NGTL's FT-P service will provide a competitive net back for those receipt customers that might currently have this type of negotiated arrangement on Simmons. NGTL estimates the average FT-P toll to be about 13.9¢/Mcf.

BR-NGTL-030(a)

Reference:

TransCanada Pipeline Ventures Limited Partnership Arrangement**,** Section 8.8, Pages 1 of 4, & 4 of 4.

Preamble:

NGTL provide an overview of the porposed Agreement with Ventures in this Section outlining the term of the TBO and summary of Ventures TBO Terms and Condition of Service. The Board is interested in gaining a better understanding of the Agreement via the following questions.

Request:

Please indicate the purchase price that Ventures required for the capacity of the Oil Sands Pipeline required by NGTL.

Response:

Ventures advised NGTL that the purchase price for the entire Ventures assets significantly exceeded the current replacement cost due to the value of its existing contractual arrangements when combined with the value of the remaining un-contracted space. Ventures also indicated that it was not prepared to sell a partial working interest in the Ventures assets.

BR-NGTL-030(b)

Reference:

TransCanada Pipeline Ventures Limited Partnership Arrangement**,** Section 8.8, Pages 1 of 4, & 4 of 4.

Preamble:

NGTL provide an overview of the porposed Agreement with Ventures in this Section outlining the term of the TBO and summary of Ventures TBO Terms and Condition of Service. The Board is interested in gaining a better understanding of the Agreement via the following questions.

Request:

Please compare this purchase price versus other pipeline acquisitions and the reasons for said value of Ventures.

Response:

The value of any acquisition to NGTL is relative to its next best alternative. The value of those pipelines to their current owners is a result of many factors specific to their circumstances including its existing contracts and perceived opportunities.

BR-NGTL-030(c)

Reference:

TransCanada Pipeline Ventures Limited Partnership Arrangement**,** Section 8.8, Pages 1 of 4, & 4 of 4.

Preamble:

NGTL provide an overview of the porposed Agreement with Ventures in this Section outlining the term of the TBO and summary of Ventures TBO Terms and Condition of Service. The Board is interested in gaining a better understanding of the Agreement via the following questions.

Request:

Please indicate the capacity contracted for under the TBO. Please provide a forecast as to whether NGTL expects the volume utilization to remain constant for the life of the TBO, decrease or increase as the contract matures.

Response:

The capacity NGTL contracted for under the TBO with Ventures is shown in Tables 1 and 2 on page 12 of Appendix E – Ventures TBO Agreement in Section 8 of the Application. NGTL designs the capacity requirements of its integrated system, including both TBO and the Simmons pipeline, to meet the forecast maximum day delivery requirements. At design conditions the TBO combined with the Simmons pipeline will be essentially fully utilized.

The volume utilization of the TBO and Simmons pipeline is expected to be in the order of 50% of the design capacity on an average day. This utilization will fluctuate from day to day.

It is expected that the volume utilization should increase over the life of the TBO as the Fort McMurray market matures and the difference between maximum and average requirements decreases.

BR-NGTL-030(d)

Reference:

TransCanada Pipeline Ventures Limited Partnership Arrangement**,** Section 8.8, Pages 1 of 4, & 4 of 4.

Preamble:

NGTL provide an overview of the porposed Agreement with Ventures in this Section outlining the term of the TBO and summary of Ventures TBO Terms and Condition of Service. The Board is interested in gaining a better understanding of the Agreement via the following questions.

Request:

NGTL indicated that Ventures offered terms of either five or 25 years in the TBO bid it originally submitted in response to the RFP. Please explain whether any other terms were considered in negotiations. Please justify a 25-year term for a TBO with Ventures.

Response:

No other terms were considered. Please refer to the response to BR-NGTL-021(a) for a justification of the TBO 25 year term.

BR-NGTL-030(e)

Reference:

TransCanada Pipeline Ventures Limited Partnership Arrangement**,** Section 8.8, Pages 1 of 4, & 4 of 4.

Preamble:

NGTL provide an overview of the porposed Agreement with Ventures in this Section outlining the term of the TBO and summary of Ventures TBO Terms and Condition of Service. The Board is interested in gaining a better understanding of the Agreement via the following questions.

Request:

Please indicate the minimum economically viable term that would justify the length of term of the TBO.

Response:

NGTL does not know what the price of TBO arrangements would be for terms between five and 25 years. Accordingly NGTL is not able to determine the CPVCOS of a shorter term TBO arrangement that would be equivalent to a build option.

Please refer to the response to BR-NGTL-021(a).

BR-NGTL-030(f)

Reference:

TransCanada Pipeline Ventures Limited Partnership Arrangement**,** Section 8.8, Pages 1 of 4, & 4 of 4.

Preamble:

NGTL provide an overview of the porposed Agreement with Ventures in this Section outlining the term of the TBO and summary of Ventures TBO Terms and Condition of Service. The Board is interested in gaining a better understanding of the Agreement via the following questions.

Request:

Please explain further the agreed-to option price methodology.

Response:

In the TBO agreement NGTL tried to emulate a build alternative. If NGTL were to construct facilities to serve the maximum day delivery in Fort McMurray, at NGTL's current depreciation rate, facilities constructed to serve the market would be fully depreciated after 25 years. In the TBO agreement with Ventures, the option price is effectively equivalent to a newly constructed pipeline being put into service at the commencement of service. From that time forward, the pipeline assets are depreciated at the NGTL depreciation rate and, after 25 years, the original assets NGTL contracted with Ventures under the TBO would be fully depreciated and the option price would be zero. Any subsequent capital investment made by Ventures on behalf of NGTL under TBO would be depreciated using the annual depreciation rates in effect for NGTL over the time the applicable facilities are in service.

BR-NGTL-030(g)

Reference:

TransCanada Pipeline Ventures Limited Partnership Arrangement**,** Section 8.8, Pages 1 of 4, & 4 of 4.

Preamble:

NGTL provide an overview of the porposed Agreement with Ventures in this Section outlining the term of the TBO and summary of Ventures TBO Terms and Condition of Service. The Board is interested in gaining a better understanding of the Agreement via the following questions.

Request:

Does NGTL need to construct any facilities as a result of the proposed 25-year term TBO Agreement?

Response:

No. NGTL foresees the need for additional facilities to meet the growing Fort McMurray forecast maximum day delivery. However, the need for additional facilities is independent of the proposed 25 year TBO Agreement.

The TBO agreement contemplates the need for additional facilities and provides a mechanism for Ventures to expand under the TBO arrangement should NGTL request them to do so.

BR-NGTL-030(h)

Reference:

TransCanada Pipeline Ventures Limited Partnership Arrangement**,** Section 8.8, Pages 1 of 4, & 4 of 4.

Preamble:

NGTL provide an overview of the porposed Agreement with Ventures in this Section outlining the term of the TBO and summary of Ventures TBO Terms and Condition of Service. The Board is interested in gaining a better understanding of the Agreement via the following questions.

Request:

Please identify and explain all differences between the current TBO with Ventures and the proposed TBO.

Response:

The key differences between the current TBO with Ventures and the proposed TBO are outlined in the table below:

BR-NGTL-030(h)

<table>
<tr><th>Current TBO with Ventures</th><th>Proposed TBO with Ventures</th></tr>
<tr><td>Firm Service Volume Rights:
• Firm Service fixed volume – currently 4,776 $10^3m^3/d$ (169.5 MMcf/d)
• Option to increase volume however, subject to available capacity without adding facilities</td><td>Firm Service Volume Rights:
• Firm Service dependent on NGTL interconnect pressure, ranging from:
  • 336 MMcf/d @ 900 psig to
  • 533 MMcf/d @ 1200 psig</td></tr>
<tr><td>Price:
• Monthly Firm Service Fee:</td><td>Price:
• Annual Fee:</td></tr>
<tr><td colspan="2">
<table>
<tr><th rowspan="3">Monthly Fee ($M) @ 169.5 MMcf/d</th><th rowspan="3">Unit Cost (¢/Mcf)</th><th rowspan="3">Year</th><th colspan="3">Mildred Lake Delivery Point</th><th colspan="3">Oil Sands Sales Delivery Point</th></tr>
<tr><th rowspan="2">Annual Fee ($M)</th><th colspan="2">Unit Cost (¢/Mcf)</th><th rowspan="2">Annual Fee ($M)</th><th colspan="2">Unit Cost (¢/Mcf)</th></tr>
<tr><th>@ 336 MMcf/d</th><th>@ 533 MMcf/d</th><th>@ 336 MMcf/d</th><th>@ 533 MMcf/d</th></tr>
<tr><td rowspan="7">$0.619/month</td><td rowspan="7">12.0</td><td>1</td><td>5.49*</td><td>5.9</td><td>3.7</td><td>6.10*</td><td>6.6</td><td>4.2</td></tr>
<tr><td>2</td><td>7.50</td><td>6.1</td><td>3.9</td><td>8.66</td><td>7.1</td><td>4.5</td></tr>
<tr><td>3</td><td>6.83</td><td>5.6</td><td>3.5</td><td>8.17</td><td>6.7</td><td>4.2</td></tr>
<tr><td>4</td><td>6.26</td><td>5.1</td><td>3.2</td><td>7.75</td><td>6.3</td><td>4.0</td></tr>
<tr><td>5</td><td>6.05</td><td>4.9</td><td>3.1</td><td>7.83</td><td>6.2</td><td>3.9</td></tr>
<tr><td>6-25</td><td>5.90</td><td>4.8</td><td>3.0</td><td>7.52</td><td>6.1</td><td>3.9</td></tr>
<tr><td colspan="7">* The Year 1 Annual Fee has been calculated assuming a Commencement Date of April 1, 2004</td></tr>
</table>
</td></tr>
<tr><td>Term:
• Expires in October 31, 2004</td><td>Term:
• 25 years from Commencement Date</td></tr>
<tr><td>Renewal rights:
• Renewable with 12 months prior notice for a renewal term expiring on April 1, 2006 or April 1, 2007.</td><td>Renewal rights:
• None. Option to purchase at expiry.</td></tr>
<tr><td>Delivery Points:
• Mildred Lake #1
• Mildred Lake #2
• Junction of Moosa and Oilsands Pipeline</td><td>Delivery Points:
• Same plus Oil Sands Sales (Syncrude Base Plant)</td></tr>
</table>

BR-NGTL-030(i)

Reference:

TransCanada Pipeline Ventures Limited Partnership Arrangement**,** Section 8.8, Pages 1 of 4, & 4 of 4.

Preamble:

NGTL provide an overview of the porposed Agreement with Ventures in this Section outlining the term of the TBO and summary of Ventures TBO Terms and Condition of Service. The Board is interested in gaining a better understanding of the Agreement via the following questions.

Request:

Please demonstrate that the proposed Ventures TBO arrangement is the least cost alternative, and conforms to the " no more than fair market value" principle for service transactions between affiliates as per NGTL's Code of Conduct.

Response:

Section 4.5 of NGTL's proposed Code of Conduct states: " In demonstrating that Fair Market Value was paid or received pursuant to a For Profit Affiliate Service arrangement or a transaction …, NGTL, subject to any prior or contrary direction by the EUB, may utilize any method to determine Fair Market Value that it believes appropriate in the circumstances. These methods may include without limitation: competitive tendering, competitive quotes, bench-marking studies, catalogue pricing, replacement costs comparisons or recent market transactions."

NGTL ensured that the Ventures TBO arrangement conformed to the "no more than fair market value" principle for service transactions between affiliates by soliciting competitive bids for the required delivery service and by ensuring that the Ventures TBO arrangement was less than the replacement costs of the alternate facilities that would be required to delivery the TBO volumes. Please refer to the response to BR-NGTL-036(c) for additional information on the competitive bid process.

Table 8.10-1 of page 5 of Section 8.10 of the Application shows that the first year capital cost, the long term capital cost and the incremental CPVCOS of the Proposed Service Solution are all lower than the alternative service solution without the Ventures TBO, which demonstrates that the Ventures TBO arrangement is the least cost alternative.

BR-NGTL-031(a) **REVISED February 2004**

Reference:

Kearl Lake Pipeline**,** Section 8.9.

Request:

Please indicate the term that NGTL is interested in contracting with the Kearl Lake Pipeline.

Response:

~~NGTL continues to negotiate with the owners of the Kearl Lake pipeline. NGTL is not prepared to comment on specifics that may impact the negotiations.~~As per the February 2004 Update, NGTL has been unable 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 a result, NGTL will submit an application to the Board for approval of new facilities that will enable NGTL to meets its customers' needs. NGTL anticipates this application will be submitted within the first half of 2004.

BR-NGTL-031(b)

Reference:

Kearl Lake Pipeline**,** Section 8.9.

Request:

Please indicate any impact that an arrangement with the Kearl Lake pipeline might have on NGTL's Proposed Services Solution.

Response:

Any arrangement for NGTL to utilize the Kearl Lake pipeline should not impact the Proposed Service Solution.

BR-NGTL-032(a)

Issue:

CPVCOS Determination

Reference:

Assessment of Alternatives**,** Section 8.10, Table 8.10-1/2.

Preamble:

In Tables 8.10-1 and 8.10-2, NGTL provided five year and 10-year CPVCOS comparisons of the proposed and alternative service solutions that showed the Proposed Service Solution labeled Case A to be the least cost alternative over both periods.

Request:

Please indicate the capacity differences between the proposed solution versus Cases B and C, and any technical advantages or disadvantages.

Response:

The proposed solution provides approximately 0.56 $10^6 m^3/d$ (20 MMcf/d) more capacity than either Case B or C.

There are few technical differences between the proposed solution versus Cases B and C. Case C has the slight technical advantage in that the incremental delivery requirements would be accommodated with new pipe as opposed to the utilization of the existing Simmons pipeline that is part of the proposed solution and Case B. However, as mentioned in the response to BR-NGTL-029(d), NGTL has completed an extensive review of the Simmons pipeline and found no significant concerns with the integrity of this pipeline. The proposed solution has the technical advantage over both Case B and C in that more existing pipelines are utilized, which minimizes the construction of new pipe and thus lessens the impact on the environment.

BR-NGTL-032(b)

Issue:

CPVCOS Determination

Reference:

Assessment of Alternatives**,** Section 8.10, Table 8.10-1/2.

Preamble:

In Tables 8.10-1 and 8.10-2, NGTL provided five year and 10-year CPVCOS comparisons of the proposed and alternative service solutions that showed the Proposed Service Solution labeled Case A to be the least cost alternative over both periods.

Request:

Please provide a 15-year, 20 year, and 25 CPVCOS comparison of proposed and alternative service solutions similar to tables 8.10-1 and 8.10-2.

Response:

NGTL did not prepare a 15 year, 20 year or 25 year forecast of facilities to the Fort McMurray area for this analysis, however the CPVCOS shown in both tables 8.10-1 and 8.10-2 is for 25 years. This means that the annual cost of service was calculated each year for 25 years based on a 5 year and/or 10 year forecast of facilities and then the present value of these 25 years of annual costs of service was determined. Table 8.10-1 is based on a 5 year forecast of facilities, which is NGTL's standard practice for evaluating proposed and alternative service solutions as stated in Section 2.6 of NGTL's Annual Plan. Table 8.10-2 is based on a 10 year forecast of facilities on to the Liege Header combined with a five year forecast of facilities off of the Liege Header. The reason a 10 year forecast of facilities was considered in this analysis was because of the significant impact that a fully utilized North Central Corridor could have on the comparison of the proposed and alternative service solutions. The 25 year time period was chosen because the depreciation rate for the facilities in this analysis was 4%.

BR-NGTL-032(c)

Issue:

CPVCOS Determination

Reference:

Assessment of Alternatives**,** Section 8.10, Table 8.10-1/2.

Preamble:

In Tables 8.10-1 and 8.10-2, NGTL provided five year and 10-year CPVCOS comparisons of the proposed and alternative service solutions that showed the Proposed Service Solution labeled Case A to be the least cost alternative over both periods.

Request:

Please include any information that differentiates the alternatives based on CPVR.

Response:

NGTL uses a cumulative present value revenue (CPVR) calculation to determine the primary contract term for FT-R and FT-P service. The CPVR calculation does not provide a measure that could be used to differentiate the alternative service solutions shown in Tables 8.10-1 and 8.10-2.

BR-NGTL-032(d)

Issue:

CPVCOS Determination

Reference:

Assessment of Alternatives**,** Section 8.10, Table 8.10-1/2.

Preamble:

In Tables 8.10-1 and 8.10-2, NGTL provided five year and 10-year CPVCOS comparisons of the proposed and alternative service solutions that showed the Proposed Service Solution labeled Case A to be the least cost alternative over both periods.

Request:

In Appendix 8.0 G, NGTL included a sub-section (Appendix E) that identified the criteria for determining CPVR and CPVCOS. Please provide all inputs used in calculating the CPVCOS in Tables 8.10-1 and 8.10-2, specifically identifying the key components described on pages 2-6 of Appendix E. When conducting the CPVR in question C, please utilize the same criteria as mentioned in Appendix E.

Response:

Attachments with the following information are provided.

Attachment 1 BR-NGTL-032(d) shows the cost of service parameters used by NGTL in calculating the CPVCOS.

Attachment 2 BR-NGTL-032(d) shows the capital addition, operating and maintenance, fuel and TBO costs for the 10-year build-up of facilities, for Cases A, B & C.

Attachment 3 BR-NGTL-032(d) is similar to Attachment 2 BR-NGTL-032(d) but is for the five-year build-up of facilities for Cases A, B & C.

Attachment 4 BR-NGTL-032(d) shows the calculated annual cost of service broken out into the key components of the annual cost of service as described in pages 2-6 of

sub-section Appendix E of Appendix G to Section 8.0 of the Application of the 10-year build-up of facilities.

Attachment 5 BR-NGTL-032(d) is similar to Attachment 4 BR-NGTL-032(d) but is for the five-year build-up of facilities.

Cost of Service Parameters Common to All Service Solutions

	2003	2004	2005	2006	2007 to 2028
Tax Rates					
Tax Rate	36.745%	33.871%	33.620%	33.620%	33.620%
Reciprocal Tax Rate	58.090%	51.220%	50.648%	50.648%	50.648%
Federal Surtax	1.120%	1.120%	1.120%	1.120%	1.120%
Capital Tax Rate	0.225%	0.225%	0.225%	0.225%	0.225%
Inflation Rates					
Capital Inflation (excl. pipe & meter)	0.00%	2.00%	2.00%	2.00%	2.00%
Cumulative Capital Inflation (excl. pipe & meter)	100.00%	102.00%	104.04%	106.12%	etc
Capital Inflation - Pipeline & Meter	0.00%	2.00%	2.00%	2.00%	2.00%
Cumulative Capital Inflation - Pipeline & Meter	100.00%	102.00%	104.04%	106.12%	etc
Operating & Maintenance Inflation	0.00%	2.00%	2.00%	2.00%	2.00%
Cumulative Operating & Maintenance	100.00%	102.00%	104.04%	106.12%	etc
Capital Cost Factor					
Interest Rate on Long Term Debt	8.100%	8.100%	8.100%	8.100%	8.100%
Cost Factor for Common Equity	9.790%	9.790%	9.790%	9.790%	9.790%
Percent of Capital Structure					
Long Term Debt	68.000%	68.000%	68.000%	68.000%	68.000%
Common Equity	32.000%	32.000%	32.000%	32.000%	32.000%
Rate of Return					
Long Term Debt	5.508%	5.508%	5.508%	5.508%	5.508%
Common Equity	3.133%	3.133%	3.133%	3.133%	3.133%
Rate of Return	8.641%	8.641%	8.641%	8.641%	8.641%
Depreciation Rates					
Pipeline	4.000%	4.000%	4.000%	4.000%	4.000%
Metering	4.000%	4.000%	4.000%	4.000%	4.000%
Compression	4.000%	4.000%	4.000%	4.000%	4.000%
NOTE: The pool accounting method is used by TransCanada.					
Capital Cost Allowances					
Pipeline	4.000%	4.000%	4.000%	4.000%	4.000%
Metering	20.000%	20.000%	20.000%	20.000%	20.000%
Compression	20.000%	20.000%	20.000%	20.000%	20.000%
Assumptions for NPV					
Discount Rate	10.46%				
Operating & Other Expenses					
Municipal Taxes as a % of Capital	1.150%	1.150%	1.150%	1.150%	1.150%
and the Escalation Rate	0.000%	2.000%	2.000%	2.000%	2.000%
Working Capital					
Cash	8.000%	8.000%	8.000%	8.000%	8.000%

Cost of Service Parameters Common to Case A and Case B

Simmons Additional Municipal Taxes: $629,000/yr
Simmons Acquisition Capital Cost Allowance Claim Entitlement is $12,662,345
Simmons Linepack value of $720,000 shows up as a credit in the Total Cost of Service for 2004
(Linepack is categorized in the Transportion by Others Category because it is only a one time credit and did not justify its own category)

Cost of Service Parameters Common to Case B and Case C

Includes cost of existing TBO on Ventures from April 1,2004 to October 31, 2004

CPVCOS Inputs
10 year Build-up of Facilities

Case A. Proposed Service Solution

	Capital Additions ($ millions)				Operating and Maintenance ($000's)			Fuel:	TBO
	Meter Station	Pipe	Compression	Sum of Capital	Meter Station	Pipe	Compression	(mmcf/yr)	($000's/yr)
2003	0.00	0.00	0.00	0.00	0	0	0	0	0
2004	0.52	30.86	4.29	35.68	0	272	1297	2691	5380
2005	0.00	47.66	16.00	63.66	0	290	614	1762	8660
2006	0.00	0.00	20.76	20.76	0	290	1247	2091	8170
2007	0.00	0.00	2.00	2.00	0	290	1404	2491	7750
2008	0.00	13.23	2.90	16.13	0	296	1658	2842	7630
2009	0.00	0.00	0.00	0.00	0	296	2210	4182	7520
2010	0.00	34.08	0.00	34.08	0	309	1798	3367	7520
2011	0.00	364.44	38.88	403.31	0	385	914	1759	7520
2012	0.00	0.00	0.00	0.00	0	385	2569	21436	7520
2013	0.00	0.00	0.00	0.00	0	385	2569	21436	7520

Case B. Alternative Service Solution Without Ventures TBO

	Capital Additions ($ millions)				Operating and Maintenance ($000's)			Fuel:	TBO
	Meter Station	Pipe	Compression	Sum of Capital	Meter Station	Pipe	Compression	(mmcf/yr)	($000's/yr)
2003	0.00	0.00	0.00	0.00	0	0	0	0	0
2004	3.15	105.16	4.29	112.61	92	304	997	2691	3633
2005	0.00	47.66	2.00	49.66	92	322	314	1761	0
2006	0.00	0.00	20.76	20.76	92	322	614	1736	0
2007	0.00	0.00	2.00	2.00	92	322	771	2112	0
2008	0.00	0.00	19.71	19.71	92	322	1658	2594	0
2009	0.00	0.00	0.00	0.00	92	322	2482	4182	0
2010	0.00	34.08	0.00	34.08	92	336	1798	3367	0
2011	0.00	364.44	38.88	403.31	92	412	914	1759	0
2012	0.00	0.00	0.00	0.00	92	412	2569	21441	0
2013	0.00	0.00	0.00	0.00	92	412	2569	21441	0

C. Alternative Service Solution Without Ventures TBO and Simmons Acquisition

	Capital Additions ($ millions)				Operating and Maintenance ($000's)			Fuel:	TBO
	Meter Station	Pipe	Compression	Sum of Capital	Meter Station	Pipe	Compression	(mmcf/yr)	($000's/yr)
2003	0.00	0.00	0.00	0.00	0	0	0	0	0
2004	2.63	158.71	19.38	180.72	92	104	983	2704	4353
2005	0.00	0.00	4.10	4.10	92	104	300	1766	0
2006	0.00	62.94	2.00	64.94	92	119	458	1930	0
2007	0.00	35.50	2.00	37.50	92	131	458	2097	0
2008	0.00	0.00	0.80	0.80	92	131	1045	2563	0
2009	0.00	0.00	0.00	0.00	92	131	1299	3381	0
2010	0.00	17.58	0.00	17.58	92	138	615	2640	0
2011	0.00	282.49	38.88	321.37	92	194	300	1762	0
2012	0.00	0.00	0.00	0.00	92	194	1956	21377	0
2013	0.00	0.00	0.00	0.00	92	194	1956	21377	0

CPVCOS Inputs
5 year Build-up of Facilities

Case A. Proposed Service Solution

	Capital Additions ($ millions)				Operating and Maintenance ($000's)			Fuel:	TBO
	Meter Station	Pipe	Compression	Sum of Capital	Meter Station	Pipe	Compression	(mmcf/yr)	($000's/yr)
2003	0.00	0.00	0.00	0.00	0	0	0	0	0
2004	0.52	30.86	4.29	35.68	0	272	1297	2691	5380
2005	0.00	47.66	16.00	63.66	0	290	614	1762	8660
2006	0.00	0.00	20.76	20.76	0	290	1247	2091	8170
2007	0.00	0.00	2.00	2.00	0	290	1404	2491	7750
2008	0.00	13.23	2.90	16.13	0	296	1658	2842	7630
2009	0.00	0.00	0.00	0.00	0	296	1658	2842	7520

Case B. Alternative Service Solution Without Ventures TBO

	Capital Additions ($ millions)				Operating and Maintenance ($000's)			Fuel:	TBO
	Meter Station	Pipe	Compression	Sum of Capital	Meter Station	Pipe	Compression	(mmcf/yr)	($000's/yr)
2003	0.00	0.00	0.00	0.00	0	0	0	0	0
2004	3.15	105.16	4.29	112.61	92	304	997	2691	3633
2005	0.00	47.66	2.00	49.66	92	322	314	1761	0
2006	0.00	0.00	20.76	20.76	92	322	614	1736	0
2007	0.00	0.00	2.00	2.00	92	322	771	2112	0
2008	0.00	0.00	19.71	19.71	92	322	1658	2594	0
2009	0.00	0.00	0.00	0.00	92	322	1658	2594	0

C. Alternative Service Solution Without Ventures TBO and Simmons Acquisition

	Capital Additions ($ millions)				Operating and Maintenance ($000's)			Fuel:	TBO
	Meter Station	Pipe	Compression	Sum of Capital	Meter Station	Pipe	Compression	(mmcf/yr)	($000's/yr)
2003	0.00	0.00	0.00	0.00	0	0	0	0	0
2004	2.63	158.71	19.38	180.72	92	104	983	2704	4353
2005	0.00	0.00	4.10	4.10	92	104	300	1766	0
2006	0.00	62.94	2.00	64.94	92	119	458	1930	0
2007	0.00	35.50	2.00	37.50	92	131	458	2097	0
2008	0.00	0.00	0.80	0.80	92	131	1045	2563	0
2009	0.00	0.00	0.00	0.00	92	131	1045	2563	0

Case A. Proposed Service Solution 10 year Build-up

Total Cost Of Service

($ 000's)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Transportation by Others	$0.0	$5,380.0	$8,660.0	$8,170.0	$7,750.0	$7,630.0	$7,520.0	$7,520.0	$7,520.0
Receipt Revenue	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Operating & Maintenance	$0.0	$1,600.8	$940.4	$1,630.8	$1,834.1	$2,157.4	$2,822.1	$2,421.1	$1,522.1
Fuel Gas Cost	0.0	16,144.8	9,161.9	9,932.1	12,207.3	14,354.0	21,746.1	17,845.4	8,884.6
Depreciation	0.0	1,091.8	3,442.7	4,765.9	5,051.2	5,607.1	5,785.2	6,959.7	21,527.5
Amortization of Loss / (Gain)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Municipal Taxes	0.0	1,056.1	1,857.1	2,150.5	2,207.8	2,465.5	2,502.3	3,056.9	9,472.6
Operating Return	0.0	2,322.4	7,200.3	9,708.9	9,902.4	10,645.0	10,542.1	12,525.9	42,758.4
Capital Tax	0.0	57.6	182.8	256.8	264.7	267.5	240.9	274.7	1,063.1
Income Tax	0.0	667.7	1,143.8	90.9	(340.2)	402.2	813.6	1,972.2	8,761.8
Total Cost of Service	**$0**	**$28,321**	**$32,589**	**$36,706**	**$38,877**	**$43,529**	**$51,972**	**$52,576**	**$101,510**

Case A. Proposed Service Solution 10 year Build-up

Total Cost Of Service

($ 000's)

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Transportation by Others	$7,520.0	$7,520.0	$7,520.0	$7,520.0	$7,520.0	$7,520.0	$7,520.0	$7,520.0	$7,520.0
Receipt Revenue	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Operating & Maintenance	$3,531.2	$3,601.8	$3,673.9	$3,747.4	$3,822.3	$3,898.8	$3,976.7	$4,056.3	$4,137.4
Fuel Gas Cost	87,886.3	101,819.5	114,681.0	121,969.1	124,970.1	127,971.1	130,972.1	134,187.4	137,402.8
Depreciation	26,253.0	26,253.0	26,253.0	26,253.0	26,253.0	26,253.0	26,253.0	26,253.0	26,253.0
Amortization of Loss / (Gain)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Municipal Taxes	9,649.4	9,829.8	10,013.8	10,201.5	10,393.0	10,588.3	10,787.4	10,990.6	11,197.8
Operating Return	50,915.8	48,647.9	46,379.9	44,111.9	41,844.0	39,576.0	37,308.1	35,040.2	32,772.3
Capital Tax	1,060.6	966.4	879.9	799.7	724.6	653.6	586.1	521.3	458.9
Income Tax	7,073.7	8,129.2	8,952.8	9,588.1	10,070.3	10,427.6	10,682.4	10,853.1	10,954.3
Total Cost of Service	**$193,890**	**$206,768**	**$218,354**	**$224,191**	**$225,597**	**$226,888**	**$228,086**	**$229,422**	**$230,696**

Case A. Proposed Service Solution 10 year Build-up

Total Cost Of Service

($ 000's)

	2021	2022	2023	2024	2025	2026	2027	2028
Transportation by Others	$7,520.0	$7,520.0	$7,520.0	$7,520.0	$7,520.0	$7,520.0	$7,520.0	$7,520.0
Receipt Revenue	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Operating & Maintenance	$4,220.1	$4,304.5	$4,390.6	$4,478.4	$4,568.0	$4,659.4	$4,752.6	$4,847.6
Fuel Gas Cost	140,618.1	144,047.9	147,477.6	151,121.6	154,765.7	154,765.7	154,765.7	154,765.7
Depreciation	26,253.0	26,253.0	26,253.0	26,253.0	26,253.0	26,253.0	26,253.0	26,253.0
Amortization of Loss / (Gain)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Municipal Taxes	11,409.2	11,624.8	11,844.7	12,069.0	12,297.8	12,531.2	12,769.2	13,012.0
Operating Return	30,504.4	28,236.5	25,968.7	23,700.8	21,432.9	19,165.1	16,897.3	14,629.5
Capital Tax	398.4	339.5	282.0	225.6	170.1	115.5	61.6	8.4
Income Tax	10,997.7	10,993.0	10,947.8	10,868.4	10,759.8	10,626.2	10,470.9	10,296.7
Total Cost of Service	**$231,921**	**$233,319**	**$234,684**	**$236,237**	**$237,767**	**$235,636**	**$233,490**	**$231,333**

Case B. Alternative Service Solution Without Ventures TBO 10 year Build-up

Total Cost Of Service

($ 000's)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Transportation by Others	$0.0	$3,632.8	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Receipt Revenue	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Operating & Maintenance	$0.0	$1,421.1	$757.1	$1,090.6	$1,283.1	$2,288.0	$3,261.1	$2,557.0	$1,660.7
Fuel Gas Cost	0.0	16,144.8	9,155.2	8,246.0	10,347.3	13,097.8	21,746.1	17,845.4	8,884.6
Depreciation	0.0	3,445.9	6,144.5	7,322.0	7,607.3	8,281.8	8,499.4	9,673.9	24,241.7
Amortization of Loss / (Gain)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Municipal Taxes	0.0	1,976.5	2,621.6	2,930.3	3,003.3	3,327.1	3,381.1	3,953.3	10,386.8
Operating Return	0.0	7,304.7	12,715.3	14,679.6	14,652.1	15,429.6	15,181.4	16,928.6	46,926.5
Capital Tax	0.0	186.4	268.1	319.2	328.3	361.9	352.6	373.1	1,149.9
Income Tax	0.0	1,950.9	2,556.7	2,017.7	1,377.9	1,284.7	996.5	2,366.9	9,323.5
Total Cost of Service	**$0**	**$36,063**	**$34,218**	**$36,605**	**$38,599**	**$44,071**	**$53,418**	**$53,698**	**$102,574**

Case B. Alternative Service Solution Without Ventures TBO 10 year Build-up

Total Cost Of Service

($ 000's)

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Transportation by Others	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Receipt Revenue	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Operating & Maintenance	$3,672.6	$3,746.1	$3,821.0	$3,897.4	$3,975.3	$4,054.8	$4,135.9	$4,218.7	$4,303.0
Fuel Gas Cost	87,907.6	101,844.2	114,708.7	121,998.6	125,000.3	128,002.0	131,003.7	134,219.9	137,436.0
Depreciation	28,967.2	28,967.2	28,967.2	28,967.2	28,967.2	28,967.2	28,967.2	28,967.2	28,967.2
Amortization of Loss / (Gain)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Municipal Taxes	10,582.0	10,781.1	10,984.1	11,191.2	11,402.4	11,617.9	11,837.7	12,061.8	12,290.5
Operating Return	54,849.5	52,347.0	49,844.5	47,342.1	44,839.6	42,337.2	39,834.7	37,332.3	34,829.9
Capital Tax	1,136.9	1,033.3	938.1	849.8	767.2	689.1	614.8	543.6	475.0
Income Tax	7,765.8	8,922.3	9,823.1	10,516.4	11,041.0	11,427.9	11,702.1	11,883.7	11,988.8
Total Cost of Service	**$194,882**	**$207,641**	**$219,087**	**$224,763**	**$225,993**	**$227,096**	**$228,096**	**$229,227**	**$230,290**

Case B. Alternative Service Solution Without Ventures TBO 10 year Build-up

Total Cost Of Service

($ 000's)

	2021	2022	2023	2024	2025	2026	2027	2028
Transportation by Others	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Receipt Revenue	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Operating & Maintenance	$4,389.1	$4,476.9	$4,566.4	$4,657.7	$4,750.9	$4,845.9	$4,942.8	$5,041.7
Fuel Gas Cost	140,652.1	144,082.7	147,513.2	151,158.2	154,803.1	154,803.1	154,803.1	154,803.1
Depreciation	28,967.2	28,967.2	28,967.2	28,967.2	28,967.2	28,967.2	28,967.2	28,967.2
Amortization of Loss / (Gain)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Municipal Taxes	12,523.7	12,761.6	13,004.3	13,251.8	13,504.2	13,761.7	14,024.4	14,292.3
Operating Return	32,327.5	29,825.1	27,322.7	24,820.4	22,318.0	19,815.7	17,313.3	14,811.0
Capital Tax	408.4	343.6	280.3	218.3	157.3	97.2	37.9	0.0
Income Tax	12,030.5	12,019.2	11,963.6	11,870.3	11,745.1	11,592.5	11,416.1	11,229.6
Total Cost of Service	**$231,299**	**$232,476**	**$233,618**	**$234,944**	**$236,246**	**$233,883**	**$231,505**	**$229,145**

Case C. Alternative Service Solution Without Ventures TBO and Simmons Acquisition 10 year Build-up

Total Cost Of Service

($ 000's)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Transportation by Others	$0.0	$4,352.8	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Receipt Revenue	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Operating & Maintenance	$0.0	$1,203.0	$516.2	$709.7	$736.4	$1,399.1	$1,713.2	$970.6	$686.4
Fuel Gas Cost	0.0	16,222.5	9,182.1	9,169.1	10,277.5	12,940.8	17,582.8	13,993.4	8,897.6
Depreciation	0.0	5,530.0	7,501.3	9,611.5	11,518.4	11,950.9	11,959.7	12,565.4	24,063.2
Amortization of Loss / (Gain)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Municipal Taxes	0.0	2,162.2	2,256.5	3,142.7	3,710.9	3,796.3	3,872.2	4,216.4	9,374.1
Operating Return	0.0	11,715.4	15,406.0	19,226.4	22,433.1	22,357.8	21,346.0	21,589.8	44,842.9
Capital Tax	0.0	324.3	350.8	437.8	474.4	442.3	405.8	402.5	1,030.3
Income Tax	0.0	2,365.9	1,329.2	2,724.5	3,591.9	3,809.1	4,098.5	4,711.1	9,670.3
Total Cost of Service	**$0**	**$43,876**	**$36,542**	**$45,022**	**$52,742**	**$56,696**	**$60,978**	**$58,449**	**$98,565**

Case C. Alternative Service Solution Without Ventures TBO and Simmons Acquisition 10 year Build-up

Total Cost Of Service

($ 000's)

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Transportation by Others	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Receipt Revenue	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Operating & Maintenance	$2,678.8	$2,732.4	$2,787.0	$2,842.8	$2,899.6	$2,957.6	$3,016.8	$3,077.1	$3,138.6
Fuel Gas Cost	87,647.3	101,542.6	114,369.1	121,637.4	124,630.2	127,623.0	130,615.9	133,822.5	137,029.1
Depreciation	27,828.5	27,828.5	27,828.5	27,828.5	27,828.5	27,828.5	27,828.5	27,828.5	27,828.5
Amortization of Loss / (Gain)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Municipal Taxes	9,561.6	9,752.8	9,947.9	10,146.8	10,349.8	10,556.8	10,767.9	10,983.3	11,202.9
Operating Return	50,748.5	48,344.3	45,940.1	43,535.8	41,131.6	38,727.4	36,323.2	33,919.0	31,514.8
Capital Tax	1,024.9	931.3	844.7	763.8	687.5	615.0	545.6	478.7	414.0
Income Tax	7,962.8	8,891.8	9,611.7	10,161.7	10,573.0	10,870.8	11,075.3	11,202.8	11,266.5
Total Cost of Service	**$187,452**	**$200,024**	**$211,329**	**$216,917**	**$218,100**	**$219,179**	**$220,173**	**$221,312**	**$222,395**

Case C. Alternative Service Solution Without Ventures TBO and Simmons Acquisition 10 year Build-up

Total Cost Of Service

($ 000's)

	2021	2022	2023	2024	2025	2026	2027	2028
Transportation by Others	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Receipt Revenue	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Operating & Maintenance	$3,201.4	$3,265.4	$3,330.8	$3,397.4	$3,465.3	$3,534.6	$3,605.3	$3,677.4
Fuel Gas Cost	140,235.7	143,656.1	147,076.5	150,710.6	154,344.8	154,344.8	154,344.8	154,344.8
Depreciation	27,828.5	27,828.5	27,828.5	27,828.5	27,828.5	27,828.5	27,828.5	27,828.5
Amortization of Loss / (Gain)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Municipal Taxes	11,427.0	11,655.5	11,888.6	12,126.4	12,368.9	12,616.3	12,868.6	13,126.0
Operating Return	29,110.7	26,706.5	24,302.3	21,898.2	19,494.1	17,089.9	14,685.8	12,281.7
Capital Tax	351.0	289.6	229.4	170.3	112.1	54.6	0.0	0.0
Income Tax	11,276.8	11,242.4	11,170.2	11,065.9	10,933.9	10,778.1	10,602.5	10,436.0
Total Cost of Service	**$223,431**	**$224,644**	**$225,826**	**$227,197**	**$228,548**	**$226,247**	**$223,936**	**$221,694**

Case A. Proposed Service Solution 5 year Build-up

Total Cost Of Service

($ 000's)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Transportation by Others	$0.0	$5,380.0	$8,660.0	$8,170.0	$7,750.0	$7,630.0	$7,520.0	$7,520.0	$7,520.0
Receipt Revenue	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Operating & Maintenance	$0.0	$1,600.8	$940.4	$1,630.8	$1,834.1	$2,157.4	$2,200.6	$2,244.6	$2,289.5
Fuel Gas Cost	0.0	16,144.8	9,161.9	9,932.1	12,207.3	14,354.0	14,780.3	15,064.6	14,354.0
Depreciation	0.0	1,091.8	3,442.7	4,765.9	5,051.2	5,607.1	5,785.2	5,785.2	5,785.2
Amortization of Loss / (Gain)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Municipal Taxes	0.0	1,056.1	1,857.1	2,150.5	2,207.8	2,465.5	2,502.3	2,539.7	2,577.9
Operating Return	0.0	2,322.4	7,200.3	9,708.9	9,902.4	10,645.0	10,537.8	10,038.2	9,538.6
Capital Tax	0.0	57.6	182.8	256.8	264.7	267.5	240.8	212.1	186.8
Income Tax	0.0	667.7	1,143.8	90.9	(340.2)	402.2	812.8	1,285.4	1,654.2
Total Cost of Service	**$0**	**$28,321**	**$32,589**	**$36,706**	**$38,877**	**$43,529**	**$44,380**	**$44,690**	**$43,906**

Case A. Proposed Service Solution 5 year Build-up

Total Cost Of Service

($ 000's)

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Transportation by Others	$7,520.0	$7,520.0	$7,520.0	$7,520.0	$7,520.0	$7,520.0	$7,520.0	$7,520.0	$7,520.0
Receipt Revenue	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Operating & Maintenance	$2,335.2	$2,381.9	$2,429.6	$2,478.2	$2,527.7	$2,578.3	$2,629.9	$2,682.5	$2,736.1
Fuel Gas Cost	11,653.7	13,501.3	15,206.7	16,173.1	16,571.0	16,969.0	17,366.9	17,793.3	18,219.6
Depreciation	5,785.2	5,785.2	5,785.2	5,785.2	5,785.2	5,785.2	5,785.2	5,785.2	5,785.2
Amortization of Loss / (Gain)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Municipal Taxes	2,616.9	2,656.7	2,697.2	2,738.6	2,780.8	2,823.8	2,867.7	2,912.5	2,958.1
Operating Return	9,039.1	8,539.5	8,040.0	7,540.4	7,040.9	6,541.3	6,041.8	5,542.3	5,042.8
Capital Tax	164.2	144.0	125.5	108.5	92.6	77.7	63.6	50.1	37.1
Income Tax	1,939.6	2,157.9	2,322.1	2,442.6	2,528.0	2,584.8	2,618.4	2,633.3	2,632.8
Total Cost of Service	**$41,054**	**$42,686**	**$44,126**	**$44,787**	**$44,846**	**$44,880**	**$44,893**	**$44,919**	**$44,932**

Case A. Proposed Service Solution 5 year Build-up

Total Cost Of Service

($ 000's)

	2021	2022	2023	2024	2025	2026	2027	2028
Transportation by Others	$7,520.0	$7,520.0	$7,520.0	$7,520.0	$7,520.0	$7,520.0	$7,520.0	$7,520.0
Receipt Revenue	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Operating & Maintenance	$2,790.8	$2,846.6	$2,903.6	$2,961.7	$3,020.9	$3,081.3	$3,142.9	$3,205.8
Fuel Gas Cost	18,646.0	19,100.7	19,555.5	20,038.7	20,521.9	20,521.9	20,521.9	20,521.9
Depreciation	5,785.2	5,785.2	5,785.2	5,785.2	5,785.2	5,785.2	5,785.2	5,785.2
Amortization of Loss / (Gain)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Municipal Taxes	3,004.7	3,052.2	3,100.7	3,150.1	3,200.5	3,251.9	3,304.4	3,357.9
Operating Return	4,543.3	4,043.8	3,544.3	3,044.8	2,545.3	2,045.8	1,546.4	1,046.9
Capital Tax	24.5	12.3	0.3	0.0	0.0	0.0	0.0	0.0
Income Tax	2,619.8	2,596.5	2,564.6	2,531.5	2,492.6	2,448.7	2,400.5	2,348.8
Total Cost of Service	**$44,934**	**$44,957**	**$44,974**	**$45,032**	**$45,086**	**$44,655**	**$44,221**	**$43,787**

Case B. Alternative Service Solution Without Ventures TBO 5 year Build-up

Total Cost Of Service

($ 000's)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Transportation by Others	$0.0	$3,632.8	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Receipt Revenue	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Operating & Maintenance	$0.0	$1,421.1	$757.1	$1,090.6	$1,283.1	$2,288.0	$2,333.8	$2,380.5	$2,428.1
Fuel Gas Cost	0.0	16,144.8	9,155.2	8,246.0	10,347.3	13,097.8	13,486.9	13,746.3	13,097.8
Depreciation	0.0	3,445.9	6,144.5	7,322.0	7,607.3	8,281.8	8,499.4	8,499.4	8,499.4
Amortization of Loss / (Gain)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Municipal Taxes	0.0	1,976.5	2,621.6	2,930.3	3,003.3	3,327.1	3,381.1	3,436.1	3,492.2
Operating Return	0.0	7,304.7	12,715.3	14,679.6	14,652.1	15,429.6	15,175.0	14,440.9	13,706.8
Capital Tax	0.0	186.4	268.1	319.2	328.3	361.9	352.4	310.5	273.5
Income Tax	0.0	1,950.9	2,556.7	2,017.7	1,377.9	1,284.7	995.2	1,680.1	2,215.9
Total Cost of Service	**$0**	**$36,063**	**$34,218**	**$36,605**	**$38,599**	**$44,071**	**$44,224**	**$44,494**	**$43,714**

Case B. Alternative Service Solution Without Ventures TBO 5 year Build-up

Total Cost Of Service

($ 000's)

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Transportation by Others	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Receipt Revenue	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Operating & Maintenance	$2,476.6	$2,526.2	$2,576.7	$2,628.2	$2,680.8	$2,734.4	$2,789.1	$2,844.9	$2,901.8
Fuel Gas Cost	10,633.9	12,319.8	13,875.9	14,757.8	15,120.9	15,484.0	15,847.1	16,236.1	16,625.2
Depreciation	8,499.4	8,499.4	8,499.4	8,499.4	8,499.4	8,499.4	8,499.4	8,499.4	8,499.4
Amortization of Loss / (Gain)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Municipal Taxes	3,549.5	3,607.9	3,667.5	3,728.2	3,790.2	3,853.4	3,917.9	3,983.7	4,050.8
Operating Return	12,972.7	12,238.7	11,504.6	10,770.5	10,036.5	9,302.5	8,568.4	7,834.4	7,100.4
Capital Tax	240.6	210.8	183.7	158.6	135.2	113.2	92.4	72.4	53.2
Income Tax	2,631.7	2,951.0	3,192.4	3,371.0	3,498.6	3,585.1	3,638.2	3,663.9	3,667.4
Total Cost of Service	**$41,004**	**$42,354**	**$43,500**	**$43,914**	**$43,762**	**$43,572**	**$43,352**	**$43,135**	**$42,898**

Case B. Alternative Service Solution Without Ventures TBO 5 year Build-up

Total Cost Of Service

($ 000's)

	2021	2022	2023	2024	2025	2026	2027	2028
Transportation by Others	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Receipt Revenue	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Operating & Maintenance	$2,959.8	$3,019.0	$3,079.4	$3,141.0	$3,203.8	$3,267.9	$3,333.2	$3,399.9
Fuel Gas Cost	17,014.2	17,429.2	17,844.2	18,285.1	18,726.0	18,726.0	18,726.0	18,726.0
Depreciation	8,499.4	8,499.4	8,499.4	8,499.4	8,499.4	8,499.4	8,499.4	8,499.4
Amortization of Loss / (Gain)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Municipal Taxes	4,119.2	4,189.0	4,260.2	4,332.8	4,406.9	4,482.5	4,559.5	4,638.1
Operating Return	6,366.3	5,632.3	4,898.3	4,164.4	3,430.4	2,696.4	1,962.4	1,228.5
Capital Tax	34.5	16.4	0.0	0.0	0.0	0.0	0.0	0.0
Income Tax	3,652.6	3,622.7	3,581.0	3,537.1	3,484.4	3,424.2	3,357.7	3,285.9
Total Cost of Service	**$42,646**	**$42,408**	**$42,163**	**$41,960**	**$41,751**	**$41,096**	**$40,438**	**$39,778**

Case C. Alternative Service Solution Without Ventures TBO and Simmons Acquisition 5 year Build-up

Total Cost Of Service

($ 000's)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Transportation by Others	$0.0	$4,352.8	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Receipt Revenue	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Operating & Maintenance	$0.0	$1,203.0	$516.2	$709.7	$736.4	$1,399.1	$1,427.1	$1,455.6	$1,484.7
Fuel Gas Cost	0.0	16,222.5	9,182.1	9,169.1	10,277.5	12,940.8	13,325.2	13,581.5	12,940.8
Depreciation	0.0	5,530.0	7,501.3	9,611.5	11,518.4	11,950.9	11,959.7	11,959.7	11,959.7
Amortization of Loss / (Gain)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Municipal Taxes	0.0	2,162.2	2,256.5	3,142.7	3,710.9	3,796.3	3,872.2	3,949.7	4,028.7
Operating Return	0.0	11,715.4	15,406.0	19,226.4	22,433.1	22,357.8	21,344.0	20,310.8	19,277.6
Capital Tax	0.0	324.3	350.8	437.8	474.4	442.3	405.8	370.3	336.8
Income Tax	0.0	2,365.9	1,329.2	2,724.5	3,591.9	3,809.1	4,098.1	4,357.7	4,554.9
Total Cost of Service	**$0**	**$43,876**	**$36,542**	**$45,022**	**$52,742**	**$56,696**	**$56,432**	**$55,985**	**$54,583**

Case C. Alternative Service Solution Without Ventures TBO and Simmons Acquisition 5 year Build-up

Total Cost Of Service

($ 000's)

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Transportation by Others	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Receipt Revenue	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Operating & Maintenance	$1,514.4	$1,544.7	$1,575.6	$1,607.1	$1,639.3	$1,672.1	$1,705.5	$1,739.6	$1,774.4
Fuel Gas Cost	10,506.4	12,172.1	13,709.6	14,580.9	14,939.6	15,298.4	15,657.1	16,041.5	16,425.9
Depreciation	11,959.7	11,959.7	11,959.7	11,959.7	11,959.7	11,959.7	11,959.7	11,959.7	11,959.7
Amortization of Loss / (Gain)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Municipal Taxes	4,109.2	4,191.4	4,275.2	4,360.7	4,448.0	4,536.9	4,627.7	4,720.2	4,814.6
Operating Return	18,244.4	17,211.2	16,178.0	15,144.8	14,111.6	13,078.4	12,045.2	11,012.1	9,978.9
Capital Tax	305.0	274.6	245.4	217.2	189.7	163.0	136.7	111.0	85.7
Income Tax	4,700.9	4,804.9	4,874.2	4,914.7	4,931.1	4,927.3	4,906.4	4,871.0	4,823.1
Total Cost of Service	**$51,340**	**$52,159**	**$52,818**	**$52,785**	**$52,219**	**$51,636**	**$51,038**	**$50,455**	**$49,862**

Case C. Alternative Service Solution Without Ventures TBO and Simmons Acquisition 5 year Build-up

Total Cost Of Service

($ 000's)

	2021	2022	2023	2024	2025	2026	2027	2028
Transportation by Others	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Receipt Revenue	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Operating & Maintenance	$1,809.9	$1,846.1	$1,883.0	$1,920.7	$1,959.1	$1,998.3	$2,038.2	$2,079.0
Fuel Gas Cost	16,810.3	17,220.3	17,630.3	18,065.9	18,501.5	18,501.5	18,501.5	18,501.5
Depreciation	11,959.7	11,959.7	11,959.7	11,959.7	11,959.7	11,959.7	11,959.7	11,959.7
Amortization of Loss / (Gain)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Municipal Taxes	4,910.9	5,009.1	5,109.3	5,211.5	5,315.7	5,422.0	5,530.5	5,641.1
Operating Return	8,945.7	7,912.6	6,879.4	5,846.3	4,813.1	3,780.0	2,746.8	1,713.7
Capital Tax	60.8	36.1	11.8	0.0	0.0	0.0	0.0	0.0
Income Tax	4,764.4	4,696.3	4,619.8	4,542.3	4,464.0	4,379.6	4,289.8	4,195.0
Total Cost of Service	**$49,262**	**$48,680**	**$48,093**	**$47,546**	**$47,013**	**$46,041**	**$45,067**	**$44,090**

BR-NGTL-033(a)

Issue:

Impact if Board Decision on the Simmons acquisition is not met

Reference:

Approval and Timing Issues**,** Section 8.11.

Preamble:

NGTL requested that the Board issue its Decision on the Simmons acquisition by March 1, 2004 to allow NGTL time to finalize the acquisition prior to the required in-service date of April 1, 2004.

Request:

Please indicate the cost implication to either NGTL or customers if an approval for the Simmons Pipeline fails to meet NGTL's requested March 1, 2004.

Response:

March 1, 2004 is the date that NGTL requested approval of the Simmons acquisition. This date was requested so that NGTL could complete the administrative tasks necessary to meet the April 1, 2004 in-service date requested by its customers.

In the event that approval occurs after the requested date, NGTL's industrial customers will need to negotiate a bridging mechanism or commercial arrangements to cover the period in time from the requested in-service date of April 1, 2004 to the date the Board issues a decision on the Simmons acquisition as well as the new Ventures TBO. These commercial arrangements will result in higher costs for the customers utilizing these bridging mechanisms.

In addition, opportunity for NGTL to receive service under the new Ventures TBO arrangement at a lower unit cost than the current TBO (please refer to NGTL's response to BR-NGTL-030(h)) will be deferred if approval for the Proposed Service Solution fails to meet NGTL's requested April 1, 2004 date.

BR-NGTL-033(b)

Issue:

Impact if Board Decision on the Simmons acquisition is not met

Reference:

Approval and Timing Issues**,** Section 8.11.

Preamble:

NGTL requested that the Board issue its Decision on the Simmons acquisition by March 1, 2004 to allow NGTL time to finalize the acquisition prior to the required in-service date of April 1, 2004.

Request:

Please indicate what impact a denial of the proposed Simmons acquisition might have, beyond an additional toll to customers.

Response:

NGTL's design includes the utilization of the Simmons pipeline system to move gas onto and off the Liege Header. Therefore, denial of the Simmons pipeline will also impact NGTL customers as incremental facilities will be required to deliver gas onto and off the Liege Header.

In addition, denial of the Simmons acquisition will eliminate the addition of new receipt revenues associated with volumes that are currently flowing onto the Simmons pipeline.

BR-NGTL-033(c)

Issue:

Impact if Board Decision on the Simmons acquisition is not met

Reference:

Approval and Timing Issues**,** Section 8.11.

Preamble:

NGTL requested that the Board issue its Decision on the Simmons acquisition by March 1, 2004 to allow NGTL time to finalize the acquisition prior to the required in-service date of April 1, 2004.

Request:

Based on NGTL's submission on pages 1 and 2 of 2, is there any service requirements that would not be met if the Board denies the Ventures TBO or Simmons based on capacity constraints or any other inhibition?

Response:

Upon the completion of the North Central Corridor (Peerless Lake Section) Phase 1 and the installation of facilities to accommodate the implications of EUB General Bulletin 2003-28 there would be sufficient capacity to meet the aggregate market requirements. However, as mentioned in Section 8.11 of the Application, if the Board denies the Ventures TBO or Simmons acquisition, NGTL will be unable to meet its customers' service requirements both on to and off the Liege Header. As a result, either NGTL will have to negotiate a short-term TBO with Simmons and Ventures or its customers will be faced with obtaining alternate service arrangements with Ventures and Simmons to satisfy service requirements.

BR-NGTL-034(a)

Issue:

Unresolved Rate Design and Code of Conduct issues

Reference:

Reply Letters regarding Request for Transportation Service and Pipeline Capacity into the Ft. McMurray Area**,** Section 8.0, Appendix C.

Preamble:

ATCO Pipelines indicated in its Aprils 28, 2003 letter, that is was premature to discuss transportation service until long standing issues regarding NGTL's rate design and code of conduct issues must be resolved prior to NGTL being in a position to provide additional intra-Alberta delivery service. The resolution of such rate design issues will impact directly on requests for service and offers from parties in response to the tender process.

Request:

Please provide NGTL's position regarding the comments indicated by ATCO Pipelines in its April 28, 2003 letter.

Response:

NGTL does not believe it was premature to evaluate alternatives for providing transportation service into the Fort McMurray area. NGTL received binding commitments from its customers for delivery service to the Fort McMurray area, and proceeded to evaluate the most cost-effective solution to providing regulated service to this growing market. NGTL proceeded with requesting information from existing pipeline operators in the area to assess the opportunities to maximize use of existing pipeline infrastructure in the area.

Furthermore, NGTL disagrees with ATCO's assertion that NGTL's rate design and code of conduct issues are not resolved and that NGTL should not respond to customer requests until such time the issues are resolved to ATCO's satisfaction. NGTL's rate

BR-NGTL-034(a)

design has been approved by the Board and NGTL's proposed Code of Conduct is before the Board.

NGTL's current rate design results from the engagement of industry following Board Decision 2002-16. In that decision, the Board directed NGTL to enter into collaborative discussions with stakeholders to resolve issues of cost accountability and cost allocation among receipt, intra-Alberta and ex-Alberta deliveries.

The rate design that developed from this collaborative process formed the basis for the Alberta System 2003 Tariff Application. NGTL has reviewed this new rate design in the context of its 2004 GRA, and believes the rate design continues to be appropriate at this time.

NGTL believes the rate design of its system is dynamic, as evident with past history, and will continue to evolve in the future. The assertion from ATCO, that NGTL not respond to its customers' requests for regulated service in the Fort McMurray area until such time as the evolving rate design is finalized, is unreasonable.

A commitment to finalizing a new Code of Conduct (Code) was made with the signatories of the 2001/2002 Alberta System Rate Settlement (ASRS). This commitment was acknowledged by the Board in its approval of the ASRS in Decision 2002-16. Although NGTL was unable to gain consensus with industry stakeholders on a new Code, it was prepared and had intended to file the new Code with the Board in early 2003 as part of its 2003 tariff application. However the Board, in a letter dated January 13, 2003, directed NGTL to delay its filing until the ATCO Code of Conduct submission was ruled on.

Following the Board's ruling on ATCO's Code of Conduct, and a request by NGTL that it required more than 30 days following this ruling to review and respond to the Board's direction, the Board directed NGTL in Decision 2003-51, the 2003 Revenue Requirement and Tariff Settlements issued on June 24, 2003, to include its new Code as a component of NGTL's 2004 GRA. NGTL has an existing Code in place to safeguard the interests of stakeholders, and does not believe it should stop responding to customer requests for regulated service until the proposed Code replaces it.

BR-NGTL-034(b)

Issue:

Unresolved Rate Design and Code of Conduct issues

Reference:

Reply Letters regarding Request for Transportation Service and Pipeline Capacity into the Ft. McMurray Area**,** Section 8.0, Appendix C.

Preamble:

ATCO Pipelines indicated in its Aprils 28, 2003 letter, that is was premature to discuss transportation service until long standing issues regarding NGTL's rate design and code of conduct issues must be resolved prior to NGTL being in a position to provide additional intra-Alberta delivery service. The resolution of such rate design issues will impact directly on requests for service and offers from parties in response to the tender process.

Request:

Please indicate whether NGTL considers the Simmons Pipeline acquisition to predominantly an intra-Alberta delivery service pipeline.

Response:

NGTL proposes to acquire the Simmons pipeline system predominantly as an addition to the integrated Alberta System. It will provide both receipt and delivery services.

BR-NGTL-035(a)

Issue:

Clarification of Signatories and Purchase Price

Reference:

Share Purchase and Sale Agreement, Section 8.0 Appendix D, P. 8/9

Preamble:

NGTL indicated that Real property taxes and pre-paid annual surface rights shall be apportioned to the Buyer and Seller and shall be adjusted to the Purchase price.

Request:

Please indicate any possible adjustments that may impact the purchase price of the Simmons Pipeline acquisition, and if any adjustments are to be included in rate base.

Response:

As per Section 2.4 (Purchase Price Adjustments) and Section 2.5 (Post Closing Adjustment) of the Share Purchase and Sale Agreement included the Application, Section 8.0, Appendix D, the possible adjustments that may impact the purchase price are as follows:

(a) Real property taxes and prepaid annual surface rights rentals will be added to or deducted from (as the case may be) the Purchase Price;
(b) Replacement cost of inventory utilized by Seller prior to Closing will be deducted from the Purchase Price; and
(c) The difference between Actual Linepack and Base Linepack will be paid by Seller or Buyer (as the case may be) within five (5) days of Closing.

Items (b) and (c) will be included in the rate base.

Any Purchase Price Adjustments resulting from (a)-(c) will be reflected in subsequent adjustments to the appropriate NGTL accounts.

BR-NGTL-035(b)

Issue:

Clarification of Signatories and Purchase Price

Reference:

Share Purchase and Sale Agreement, Section 8.0 Appendix D, P. 8/9

Preamble:

NGTL indicated that Real property taxes and pre-paid annual surface rights shall be apportioned to the Buyer and Seller and shall be adjusted to the Purchase price.

Request:

Please identify the authorized officers including their titles that signed the Sales Agreement on behalf of Nova Gas Transmission Ltd.

Response:

Ronald J. Turner – Director and President

Harold N. Kvisle – Director and Chief Executive Officer

BR-NGTL-036(a)

Issue:

TBO Costs

Reference:

Ventures TBO Agreement, Section 8.0 Appendix E, P. 8/9.

Preamble:

On page 4 and 5 of the Ventures TBO Agreement, the fees associated with Firm Service delivery volumes to the Ft. McMurray area are based on an annual fee and plus operation and maintenance costs.

Request:

Please provide a detailed explanation and calculation of the annual fee and various cost inputs that led the Annual Fees for TBO service in Table 1, page 5 of 13.

Response:

The fees for TBO service were the result of negotiations between representatives of NGTL and Ventures. NGTL is not aware of the calculations that Ventures used to determine the TBO price. NGTL completed a least cost analysis to compare the TBO price to its next best alternative.

BR-NGTL-036(b)

Issue:

TBO Costs

Reference:

Ventures TBO Agreement, Section 8.0 Appendix E, P. 8/9.

Preamble:

On page 4 and 5 of the Ventures TBO Agreement, the fees associated with Firm Service delivery volumes to the Ft. McMurray area are based on an annual fee and plus operation and maintenance costs.

Request:

Please indicate the method used to determine the appropriate allocation of O & M costs to be included in the TBO Agreement.

Response:

The O&M costs for the Ventures TBO were calculated using rule of thumb (ROT) estimates for O&M, apportioned in the following manner:

Compression O&M at Buffalo C/S (ROT)	$300,000
57% of pipe O&M on the Ventures Oil Sands Pipeline ($700/km ROT O&M x 106 km x 0.57)	42,000
100% of pipe O&M on the Oil Sands Extension ($700/km ROT O&M x 11 km x 1.00)	8,000
Total Annual O&M	$350,000

Note: 57% of pipe O&M on the Ventures Oil Sands Pipeline was based on the NGTL TBO portion (240 MMcf/d) of Ventures stated uncompressed capacity (420 MMcf/d).

BR-NGTL-036(c)

Issue:

TBO Costs

Reference:

Ventures TBO Agreement, Section 8.0 Appendix E, P. 8/9.

Preamble:

On page 4 and 5 of the Ventures TBO Agreement, the fees associated with Firm Service delivery volumes to the Ft. McMurray area are based on an annual fee and plus operation and maintenance costs.

Request:

What reasonableness checks did NGTL conduct to ensure that the TBO Agreement is just and reasonable?

Response:

NGTL completed a comprehensive process to ensure the terms and conditions of the TBO agreement, including price, were reasonable. This included:

- Extensive consultation with Fort McMurray customers to determine the markets needs for supply. All aspects of the customers' requirements were considered in these discussions including volume, location, pressure, term etc.
- NGTL conducted an open bid process so that it could fulfill its objectives of providing service:
    - that maximized the use of existing facilities;
    - minimized any new facility construction; and
    - resulted in the least cost alternative to meet NGTL's customers service requirements.
- The bid process solicited capacity via lease and/or purchase of capacity from all area pipeline owners.
- Upon completion of the bid process, NGTL assessed the bids to determine which of the lease, buy or build alternatives provided the least cost solution.

BR-NGTL-036(c)

- In the instance where the lease bid did not provide capacity at the least cost, NGTL entered negotiations with the bidder to attempt to reduce its price so that became the least cost solution. This process resulted in a solution that maximized the utilization of existing infrastructure and minimized new facilities construction.

Throughout all of the above steps, NGTL consulted with its stakeholder groups including CAPP, IGCAA and individual customer organizations. More than 90 meetings were held with stakeholder groups (ref. Application Section 8.6, page 1 of 3, A1).

In addition to the above, and based upon input from a number of NGTL's customers, NGTL structured the TBO arrangement with Ventures in a manner that allows the TBO to be converted to a purchase arrangement should NGTL, its customers, and Ventures be able to reach an acceptable arrangement.

BR-NGTL-036(d)

Issue:

TBO Costs

Reference:

Ventures TBO Agreement, Section 8.0 Appendix E, P. 8/9.

Preamble:

On page 4 and 5 of the Ventures TBO Agreement, the fees associated with Firm Service delivery volumes to the Ft. McMurray area are based on an annual fee and plus operation and maintenance costs.

Request:

On page 6 of 13 of the Ventures TBO Agreement, a termination fee of $2.5 million is include with a deadline April 1, 2006 for NGTL utilize this termination option. Is the Board correct in assuming that no termination provision exists beyond April 1, 2006. If so, are the risks associated with the TBO Agreement then borne by customers for the remainder of the 25-year term?

Response:

Yes, the Board is correct in assuming that no termination exists beyond April 1, 2006. NGTL expects to include the costs under the TBO Agreement in its annual revenue requirement for the term of the Agreement.

BR-NGTL-037(a)

Issue:

Appropriateness of Code of Conduct Filing

Reference:

Code of Conduct, Section 9.0

Preamble:

Under section 4.2.1 of the Code of Conduct that deals with NGTL acquiring for profit Affiliate Service, the Code of Conduct indicates that the onus is on NGTL to demonstrate that the affiliate services have been acquired at a price that is no more than Fair Market Value.

Request:

Please identify and explain any differences between the template identified by the Board in Decision 2003-040 (ATCO Affiliate Proceeding) and NGTL's code of conduct filing.

Response:

NGTL provided, in Appendix C, to its Application a black-lined copy of the NGTL Code showing the changes that were made to the ATCO Code to create the NGTL Code. NGTL amended the ATCO Code to reflect NGTL's specific business and operational circumstances and the nature of TCPL's integrated organization. Some of these changes were minor and essentially administrative in nature, such as name and terminology changes. These changes are apparent in the black-lined copy of the Code and the reasons for them are self-evident. Accordingly, NGTL did not review these changes in its evidence. NGTL identified in the Application, Section 9.0, pages 6-14, the substantive changes it made to the ATCO Code and explains its reasons for them.

BR-NGTL-037(b)

Issue:

Appropriateness of Code of Conduct Filing

Reference:

Code of Conduct, Section 9.0

Preamble:

Under section 4.2.1 of the Code of Conduct that deals with NGTL acquiring for profit Affiliate Service, the Code of Conduct indicates that the onus is on NGTL to demonstrate that the affiliate services have been acquired at a price that is no more than Fair Market Value.

Request:

Based on the above preamble, please demonstrate that the TBO arrangements with Foothill Zones 6 & 7 and Ventures Oil Sands Pipeline have been acquired at no more than fair market value.

Response:

Foothills Pipe Lines (Alta.) Ltd. provides service to NGTL in Zones 6 and 7 under its Gas Transportation Tariff. NGTL describes its TBO arrangements with Foothills in Section 2.7 of the Application. Foothills' rates are approved by the National Energy Board.

The response to BR-NGTL-030(i) outlines how the Ventures TBO arrangements are consistent with the fair market value principle in the proposed NGTL Code of Conduct.

BR-NGTL-037(c)

Issue:

Appropriateness of Code of Conduct Filing

Reference:

Code of Conduct, Section 9.0

Preamble:

Under section 4.2.1 of the Code of Conduct that deals with NGTL acquiring for profit Affiliate Service, the Code of Conduct indicates that the onus is on NGTL to demonstrate that the affiliate services have been acquired at a price that is no more than Fair Market Value.

Request:

Is NGTL's least cost alternative principle consistent with the no more than fair market value approach espoused in NGTL's Code of Conduct. If so, how?

Response:

Yes. NGTL's least cost alternative principle is consistent with the fair market value approach in NGTL's Code of Conduct.

Please refer to the response BR-NGTL-030(i), which provides an example.

BR-NGTL-037(d)

Issue:

Appropriateness of Code of Conduct Filing

Reference:

Code of Conduct, Section 9.0

Preamble:

Under section 4.2.1 of the Code of Conduct that deals with NGTL acquiring for profit Affiliate Service, the Code of Conduct indicates that the onus is on NGTL to demonstrate that the affiliate services have been acquired at a price that is no more than Fair Market Value.

Request:

Please list and justify all affiliate services to ensure that the affiliate services are in accordance with the fair market principle of NGTL's Code of Conduct. Specifically identify the affiliates services that must be brought into compliance of the Code of Conduct.

Response:

NGTL acquires only the following for profit Affiliate services:

Foothills Pipe Lines (Alta.) Ltd. provides transportation service to NGTL in Zones 6 and 7 under its Gas Transportation Tariff. NGTL describes its TBO arrangements with Foothills in Section 2.7 of the Application. Foothills rates are approved by the National Energy Board.

TransCanada Pipeline Ventures Ltd. provides transportation service to NGTL. Please refer to BR-NGTL-030(i) for an explanation and justification of NGTL's TBO arrangement with Ventures.

TransCanada Calibrations Ltd. provides calibration and verification of ultrasonic and turbine meters for NGTL under a contract with TransCanada PipeLines Limited.

BR-NGTL-037(d)

The work was awarded to TransCanada Calibrations, and another service provider, for a term of three years ending December 31, 2004. These contracts were put in place after receiving competitive bids from both companies. Each company was awarded a portion of the work based on cost, quality, a technical evaluation and financial considerations.

TransCanada Energy Ltd. sells electricity to NGTL. NGTL was able to obtain price stability for electrical cost through an offer made by TransCanada Energy Ltd. NGTL was able to attain this fixed price for a portion of NGTL's demand until 2011. NGTL awarded the contract based on judgment and knowledge of the power and gas markets, and determined that this arrangement was at fair market value. Since the commencement of this contract, the purchase price obtained by NGTL has out performed the published average pool price as stated by Alberta Electric System Operator.

NGTL will, as stated in the Application, Section 9.0, page 14, prepare and file its initial Compliance Plan with the Board within 120 days of the Board's approval of the Code. NGTL will, as part of its work in preparing the Plan, identify and determine whether all existing affiliate arrangements meet the requirements of the Code. NGTL will advise the Board at that time of any outstanding compliance issues it identifies.

BR-NGTL-037(e)

Issue:

Appropriateness of Code of Conduct Filing

Reference:

Code of Conduct, Section 9.0

Preamble:

Under section 4.2.1 of the Code of Conduct that deals with NGTL acquiring for profit Affiliate Service, the Code of Conduct indicates that the onus is on NGTL to demonstrate that the affiliate services have been acquired at a price that is no more than Fair Market Value.

Request:

Please indicate the active affiliates and subsidiaries that NGTL expects to conduct business with over the 2004 test year.

Response:

The Affiliates NGTL expects to conduct business with in 2004 are:

TransCanada PipeLines Limited
Foothills Pipe Lines (Alta.) Ltd.
TransCanada Calibrations Ltd.
TransCanada Energy Ltd.
TransCanada Pipeline Ventures Ltd.

BR-NGTL-038(a)

Reference:

Guidelines for New Facilities **,** Section 8.0 Appendix G.

Preamble:

NGTL cited that in Decision 2000-6 respecting NGTL's 1999 Products and Pricing Application, that NGTL would no longer construct (own/operate) laterals to connect the NGTL system. In that Decision, the Board accepted as reasonable NGTL's submission that " in general new connection of 12 inches or less in diameter distinctly associated with one or a few customers would normally be considered laterals while facilities required to meet the aggregate forecast of more than one customers would normally be classified as mainline."

Request:

Based on the above preamble, in what circumstances could NGTL foresee that this definition may be inappropriate when attempting to classify as either lateral or mainline. Or in other words " when circumstances are not normal".

Response:

NGTL is unable to describe the variability of circumstances that might occur in the future that one would describe as not normal. However, NGTL believes the Guidelines for New Facilities was the result of putting definition around what would be considered as normal circumstances.

Even for normal circumstances, both NGTL and industry recognized that a prescriptive definition through hard and fast rules would not be in the best interest for NGTL and its customers. The ability to apply common sense and to review the intent of the Guidelines with industry on a case by case basis for unique circumstances was recognized by establishing some flexibility such as that the majority of criteria only need to be met.

Any unique circumstances identified by NGTL, through a case by case review of the customer request(s), can be presented to the FLC. This allows NGTL to demonstrate compliance with the spirit of the Guidelines for New Facilities and industry the

BR-NGTL-038(a)

opportunity to raise concerns with the proposed facilities or the process that NGTL has followed.

In addition to the FLC presentation, an integral component of the Guidelines is a dispute resolution process. This process enables any party to raise objections, through the FLC concerning NGTL's application of the Guidelines, with respect to a proposed facility. The Dispute Resolution mechanism enables industry concerns to be addressed prior to NGTL filing the EUB application for the new facility.

NGTL believes the Guidelines, are simply that – 'guidelines,' and they enable a common sense approach and process to address "when circumstances are not normal."

BR-NGTL-038(b)

Reference:

Guidelines for New Facilities **,** Section 8.0 Appendix G.

Preamble:

NGTL cited that in Decision 2000-6 respecting NGTL's 1999 Products and Pricing Application, that NGTL would no longer construct (own/operate) laterals to connect the NGTL system. In that Decision, the Board accepted as reasonable NGTL's submission that " in general new connection of 12 inches or less in diameter distinctly associated with one or a few customers would normally be considered laterals while facilities required to meet the aggregate forecast of more than one customers would normally be classified as mainline."

Request:

Has the Board ever approved the Guidelines?

Response:

No. NGTL has not requested that the Board approve the Guidelines for New Facilities, nor has the Board expressly done so. However, NGTL has applied the Guidelines in cases where the Board has approved NGTL's request to provide mainline extension service and mainline expansion service.

BR-NGTL-038(c)

Reference:

Guidelines for New Facilities **,** Section 8.0 Appendix G.

Preamble:

NGTL cited that in Decision 2000-6 respecting NGTL's 1999 Products and Pricing Application, that NGTL would no longer construct (own/operate) laterals to connect the NGTL system. In that Decision, the Board accepted as reasonable NGTL's submission that " in general new connection of 12 inches or less in diameter distinctly associated with one or a few customers would normally be considered laterals while facilities required to meet the aggregate forecast of more than one customers would normally be classified as mainline."

Request:

On page 3 of 11, NGTL provided extension facilities criteria whereby NGTL indicated that a majority of the criteria must be met to construct the extension facility. Please explain whether NGTL puts a greater level of importance on one criteria versus another.

Response:

The criteria are not expressly ranked. As described in the response to BR-NGTL-038(a), any application of the guidelines for unique circumstances is reviewed with industry and subject to regulatory approval.

BR-NGTL-038(d)

Reference:

Guidelines for New Facilities **,** Section 8.0 Appendix G.

Preamble:

NGTL cited that in Decision 2000-6 respecting NGTL's 1999 Products and Pricing Application, that NGTL would no longer construct (own/operate) laterals to connect the NGTL system. In that Decision, the Board accepted as reasonable NGTL's submission that " in general new connection of 12 inches or less in diameter distinctly associated with one or a few customers would normally be considered laterals while facilities required to meet the aggregate forecast of more than one customers would normally be classified as mainline."

Request:

Why is the criteria based on only the majority versus all factors being needed for construction of extension of facilities?

Response:

Please refer to the response to BR-NGTL-038(a).

BR-NGTL-039(a)

Issue:

Technical Audit/0utsourcing

Reference:

Requirements From Decision 2003-051**,** Section 10.5, page 2 of 2, lines 4-21

Preamble:

NGTL indicated that its outsourcing program that arose from Article 12.1 of the Cost Efficiency Incentive Settlement (CEIS) failed to produce any diret cost benefits. NGTL acknowledged that prudent use of engineering, Procurement, and Construction contractors was recognize to provide some level of benefit in terms of enabling NGTL to manage its internal core manpower to sustainable levels required by the business.

Request:

Please indicate the level of outsourcing currently utilized by NGTL today, along with an explanation of the cost/benefit analysis of outsourcing resources.

Response:

During 2002 and 2003 NGTL provided the Engineering and Procurement function internally for facility additions or modifications. NGTL continues to use third party firms in addition to its internal resources to complete the construction of projects in a cost effective and timely manner. NGTL's internal crews focus on critical repairs when required and projects that require high pressure pipe welding.

BR-NGTL-039(b)

Issue:

Technical Audit/0utsourcing

Reference:

Requirements From Decision 2003-051**,** Section 10.5, page 2 of 2, lines 4-21

Preamble:

NGTL indicated that its outsourcing program that arose from Article 12.1 of the Cost Efficiency Incentive Settlement (CEIS) failed to produce any diret cost benefits. NGTL acknowledged that prudent use of engineering, Procurement, and Construction contractors was recognize to provide some level of benefit in terms of enabling NGTL to manage its internal core manpower to sustainable levels required by the business.

Request:

Would NGTL evaluate the benefits of outsourcing any differently today from its criteria listed on page 2 of 2, lines 6-9.

Response:

No.

BR-NGTL-040(a)

Issue:

Definition of Mainline and Lateral Facilities

Reference:

Requirements From Decision 2003-051**,** Section 10. 6, page 3 of 5, lines 4-10.

Preamble:

NGTL indicated that it has only constructed two mainline extensions since the definition was implemented, a receipt mainline extension in the Narraway area approved on December 21, 2001, and the mainline extension via a TBO in the Ft. McMurray area which commenced service on March 1, 2002

Request:

Please indicate whether any parties expressed opposition to the mainline/lateral definition in either application.

Response:

No party, other than the Alberta Lateral Company, Clan Duncan Resources and ATCO Gas and Pipelines Ltd., opposed the mainline/lateral definition in these applications.

BR-NGTL-040(b)

Issue:

Definition of Mainline and Lateral Facilities

Reference:

Requirements From Decision 2003-051**,** Section 10. 6, page 3 of 5, lines 4-10.

Preamble:

NGTL indicated that it has only constructed two mainline extensions since the definition was implemented, a receipt mainline extension in the Narraway area approved on December 21, 2001, and the mainline extension via a TBO in the Ft. McMurray area which commenced service on March 1, 2002

Request:

Has the Board ever approved NGTL's definition of Mainline and Lateral Facilities?

Response:

No. In Decision 2006-6, the Board stated it "accepts as reasonable NGTL's submission that in general new connections of 12 inches or less in diameter distinctly associated with one or a few customers would normally be considered laterals, while facilities required to meet the aggregate forecast of more than one customer would normally be classified as mainlines." The Guidelines for New Facilities, which contains the definition of Mainline for the purpose of constructing extensions, was filed with the Board for information.

BR-NGTL-040(c)

Issue:

Definition of Mainline and Lateral Facilities

Reference:

Requirements From Decision 2003-051**,** Section 10. 6, page 3 of 5, lines 4-10.

Preamble:

NGTL indicated that it has only constructed two mainline extensions since the definition was implemented, a receipt mainline extension in the Narraway area approved on December 21, 2001, and the mainline extension via a TBO in the Ft. McMurray area which commenced service on March 1, 2002

Request:

Does NGTL envision an industry wide standard for mainline and lateral facilities, or should the definition reflect the uniqueness of individual pipeline utilities?

Response:

No. NGTL believes pipelines should have individual policies that reflect the particular circumstances of each pipeline. However, such policies should not unduly advantage or disadvantage the competitive position of one pipeline relative to another.