CG-NGTL-001(a)

Reference:

Schedule 2.1.2 – Rate Base and Revenue Requirement

Preamble:

FIRM desires to understand the reasons for significant changes from NGTL's last "fully contested" revenue requirement rate application based on the 1995 test year.

Request:

Over and above the explanations provided in Section 2.3, please explain, at a high level, the reasons for the following Operating Costs (line 3) significant changes;

(i) 1995 to 1996 ($270,554,000 to $249,122,000);
(ii) 2000 to 2001 ($233,185,000 to $175,525,000).

Response:

		($ Million)
(i)	1995 Operating Costs	$ 270.6
	Facilities Provision/Maintenance	(4.5)
	Internal resources (Support Services)	(4.8)
	Severance (ET & C)	(6.2)
	Inventory Write-Down	(2.9)
	Capitalization	(2.5)
	Other, net	(0.6)
	1996 Operating Costs	$ 249.1

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

CG-NGTL-001(b)

Reference:

Schedule 2.1.2 – Rate Base and Revenue Requirement

Preamble:

FIRM desires to understand the reasons for significant changes from NGTL's last "fully contested" revenue requirement rate application based on the 1995 test year.

Request:

Please calculate the amount of depreciation expense for 2004 based on the depreciation rates approved in the 1995 GRA. If unable to complete the calculation, please provide full details and provide an approximate calculation of the 2004 depreciation expense including the basis for the calculation.

Response:

In the Board's U96001 Decision, it did not approve the depreciation rates, but approved the depreciation expense applied for less $30 million or $166 million in total depreciation expense. This equated to a composite depreciation rate of 2.96%.

The 2004 depreciation expense based on a 2.96% composite rate would be $216 million.

CG-NGTL-001(c) **REVISED February 2004**

Reference:

Schedule 2.1.2 – Rate Base and Revenue Requirement

Preamble:

FIRM desires to understand the reasons for significant changes from NGTL's last "fully contested" revenue requirement rate application based on the 1995 test year.

Request:

Please explain, at a high level, the reasons for the Income and Capital Taxes (line 5) increasing from $10,278,000 approved by the Board in the 1995 GRA to the $169,477,000 proposed in the 2004 test year. Please include, but do not limit, the explanation to the following significant changes;

(i) 1995 to 1996 ($10,278,000 to $74,755,000);
(ii) 1996 to 1997 ($74,755,000 to $98,463,000);
(iii) 1998 to 1999 ($109,093,000 to $137,457,000);
(iv) 1999 to 2000 ($137,457,000 to $167,804,000);
(v) 2000 to 2001 ($167,804,000 to $196,412,000);
(vi) 2001 to 2002 ($196,412,000 to $177,611,000).

Response:

As per the February 2004 Update, the Income and Capital Taxes in 2004 are $168,494,000. The revised variance explanation is as follows:

Year to Year Comparison	Variance (Million)	Explanation
1995 to 1996	+ $65	• The primary reason for the increase in 1996 income tax was due to the Cost Efficiency Incentive Settlement (CEIS). Article 19.4 of the CEIS deemed that the deferral account balances are equal and offset by the amount of the deferred income tax drawdown at January 1, 1996. Therefore, the income tax drawdown utilized to offset 1995 income tax was no longer available to offset 1996 income tax expense.

		• Other factors include higher depreciation and equity return, partially offset by a higher CCA amount.
1996 to 1997	+ $23	• The increase is primarily due to higher depreciation, equity return, and a lower CCA amount.
1997 to 1998	+ $11	• The increase is primarily due to higher depreciation and equity return, partially offset by a higher CCA amount.
1998 to 1999	+ $28	• The increase is primarily due to higher depreciation and equity return, partially offset by a higher CCA amount.
1999 to 2000	+ $31	• The increase is primarily due to higher depreciation, equity return, and changes in merger costs incurred net of merger cost amortizations.
2000 to 2001	+ $28	• The increase is primarily due to higher depreciation, equity return, and lower CCA amount, partially offset by a lower tax rate.
2001 to 2002	- $19	• The decrease is primarily due to a lower tax rate and equity return, partially offset by a lower CCA amount.
2002 to 2003	- $~~17~~ 16	• The decrease is primarily due to a lower tax rate and equity return, partially offset by a lower CCA amount.
2003 to 2004	+ $~~10~~ 7	• The increase is primarily due a higher equity return and a lower CCA amount, partially offset by a lower tax rate.

CG-NGTL-001(d)

Reference:

Schedule 2.1.2 – Rate Base and Revenue Requirement

Preamble:

FIRM desires to understand the reasons for significant changes from NGTL's last "fully contested" revenue requirement rate application based on the 1995 test year.

Request:

Please explain what is included in the category "Other Costs" shown at line 8.

Response:

Over the years from 1995 to 2004 the "Other Costs" category may include different cost items depending on the various settlement agreements in place in each year. A list of the costs items reported within the "Other Costs" category over the ten year period from 1995 to 2004 is as follows:

- Revenue Requirement Adjustments
- Non-Routine Adjustments
- Foreign Exchange on Interest Payments
- Regulatory Hearing Costs
- Uninsured Losses
- Transitional Items
- Amortization of Severance Costs
- Pipeline Integrity Costs
- CO_2 Management Service Costs
- Annual Foreign Exchange Amortization Amount

Descriptions for all of these accounts except for "Transitional Items" are provided in Section 2.0 of the 2004 General Rate Application. The "Transitional Items" account was used in 1995 to deal with a transitional matter approved in EUB Decision U96001, and also in 1996 through 2000 to record costs related to the inventory management and severance programs.

CG-NGTL-001(e) **REVISED February 2004**

Reference:

Schedule 2.1.2 – Rate Base and Revenue Requirement

Preamble:

FIRM desires to understand the reasons for significant changes from NGTL's last "fully contested" revenue requirement rate application based on the 1995 test year.

Request:

Please explain, at a high level, the reasons for the Other Costs (line 8) increasing from $9,858,000 approved by the Board in the 1995 GRA to the $78,386,000 proposed in the 2004 test year. Please include, but do not limit, the explanation to the following significant changes;

(i) 1995 to 1996 ($9,858,000 to $18,366,000);
(ii) 1996 to 1997 ($18,366,000 to $65,236,000);
(iii) 1999 to 2000 ($58,650,000 to $105,659,000);
(iv) 2000 to 2001 ($105,569,000 to $66,514,000);
(v) 2001 to 2002 ($66,514,000 to -$1,629,000);
(vi) 2002 to 2003 (-$1,619,000 to $44,379,000);
(vii) 2003 to 2004 ($44,379,000 to $78,386,000).

Response:

As per the February 2004 Update, Other Costs in 2003 and 2004 are $46,479,000 and $83,494,000 respectively. Please refer to Attachment CG-NGTL-001(e) for a high level summary of the changes in the Other Costs items from 1995 to 2004.

OTHER COSTS SUMMARY (1995-2004)

LINE NO.	DESCRIPTION	Other Costs ($ Millions)
	(a)	(b)
1	**1995 Balance**	**10**
2	Deferral/Non Routine Adjustments	(9)
3	Transitional Items	14
4	Other	3
5	**1996 Balance**	**18**
6	Deferral/Non Routine Adjustments	46
7	Other	1
8	**1997 Balance**	**65**
9	Deferral/Non Routine Adjustments	(8)
10	Transitional Items	7
11	Foreign Exchange on Interest	5
12	Other	1
13	**1998 Balance**	**70**
14	Deferral/Non Routine Adjustments	(20)
15	Transitional Items	(13)
16	Pipeline Integrity	18
17	Other	4
18	**1999 Balance**	**59**
19	Deferral/Non Routine Adjustments	51
20	Transitional Items	(4)
21	Pipeline Integrity	6
22	Other	(6)
23	**2000 Balance**	**106**
24	Deferral/Non Routine Adjustments	(46)
25	Foreign Exchange Amorization Amount	14
26	Other	(8)
27	**2001 Balance**	**66**
28	Deferral/Non Routine Adjustments	(70)
29	Pipeline Integrity	(16)
30	Foreign Exchange Amorization Amount	7
31	Other	11
32	**2002 Balance**	**(2)**
33	Deferral/Non Routine Adjustments	33
34	Foreign Exchange on Interest	(11)
35	CO_2 Management Service Costs	17
36	Other	9
37	**2003 Balance**	**46**
38	Deferral/Non Routine Adjustments	56
39	Pipeline Integrity	9
40	Foreign Exchange Amorization Amount	(15)
41	CO_2 Management Service Costs	(14)
42	Other	1
43	**2004 Balance**	**83**

CG-NGTL-002(a)

Reference:

Sub-Section 2.7 – Transportation by Others
Sub-Section 2.7.1 – History of Transportation by Others
Sub-Section 8.0 – The Fort McMurray Area Delivery Service

Preamble:

FIRM desires to further understand the history of TBO on the NGTL system.

NGTL states at Pages 1 - 2 of Sub-Section 2.7 that:

> "Between 1981 and September of 1984, on a limited basis, NGTL contracted with the operators of certain other pipelines for transportation associated with gas originated on the other pipeline systems. In September of 1984, NGTL discontinued this practice primarily due to the risks it perceived to NGTL's customers and shareholders in continuing to roll-in third party pipelines charges. NGTL's concerns on behalf of its customers and shareholders was that any action on the part of NGTL was subject to complaint on the basis that the charges were neither just nor reasonable. NGTL was concerned that the service contracted for reflected an over-estimation of throughput volumes for which the customer was not directly accountable. The Public Utilities Board agreed with this position in Decision E86110."

Request:

Please confirm that the "operators of certain other pipelines" noted at Pages 1, line 23, of Sub-Section 2.7 that NGTL had concerns about were exclusively Northwestern Utilities Limited and Canadian Western Natural Gas Company Limited. If unable to confirm, please provide details of which "operators of certain other pipelines" NGTL had concerns about including the associated TBO charges for each of those "operators of certain other pipelines".

Response:

The referenced operators were North Canadian Oils Limited, Canadian Western Natural Gas Company Limited, and Northwestern Utilities Limited.

CG-NGTL-002(b)

Reference:

Sub-Section 2.7 – Transportation by Others
Sub-Section 2.7.1 – History of Transportation by Others
Sub-Section 8.0 – The Fort McMurray Area Delivery Service

Preamble:

FIRM desires to further understand the history of TBO on the NGTL system.

NGTL states at Pages 1 - 2 of Sub-Section 2.7 that:

> "Between 1981 and September of 1984, on a limited basis, NGTL contracted with the operators of certain other pipelines for transportation associated with gas originated on the other pipeline systems. In September of 1984, NGTL discontinued this practice primarily due to the risks it perceived to NGTL's customers and shareholders in continuing to roll-in third party pipelines charges. NGTL's concerns on behalf of its customers and shareholders was that any action on the part of NGTL was subject to complaint on the basis that the charges were neither just nor reasonable. NGTL was concerned that the service contracted for reflected an over-estimation of throughput volumes for which the customer was not directly accountable. The Public Utilities Board agreed with this position in Decision E86110."

Request:

Please provide the amount of TBO charges for 1981, 1982, 1993 and 1984 that were related to Northwestern Utilities Limited and Canadian Western Natural Gas Company Limited.

Response:

NGTL does not have the requested information readily available for 1981 or 1982. The aggregate TBO charges for the Alberta System for 1983 were $55.515 million and for 1984 $56.349 million. NGTL does not have the detailed information required to provide the amounts specific to Northwestern Utilities Limited or Canadian Western Natural Gas Company for any of the requested years readily available.

CG-NGTL-002(c)

Reference:

Sub-Section 2.7 – Transportation by Others
Sub-Section 2.7.1 – History of Transportation by Others
Sub-Section 8.0 – The Fort McMurray Area Delivery Service

Preamble:

FIRM desires to further understand the history of TBO on the NGTL system.

NGTL states at Pages 1 - 2 of Sub-Section 2.7 that:

> "Between 1981 and September of 1984, on a limited basis, NGTL contracted with the operators of certain other pipelines for transportation associated with gas originated on the other pipeline systems. In September of 1984, NGTL discontinued this practice primarily due to the risks it perceived to NGTL's customers and shareholders in continuing to roll-in third party pipelines charges. NGTL's concerns on behalf of its customers and shareholders was that any action on the part of NGTL was subject to complaint on the basis that the charges were neither just nor reasonable. NGTL was concerned that the service contracted for reflected an over-estimation of throughput volumes for which the customer was not directly accountable. The Public Utilities Board agreed with this position in Decision E86110."

Request:

Please provide the total TBO charges for 1981, 1982, 1983 and 1984.

Response:

Please refer to the response to CG-NGTL-002(b).

CG-NGTL-002(d)

Reference:

Sub-Section 2.7 – Transportation by Others
Sub-Section 2.7.1 – History of Transportation by Others
Sub-Section 8.0 – The Fort McMurray Area Delivery Service

Preamble:

FIRM desires to further understand the history of TBO on the NGTL system.

NGTL states at Pages 1 - 2 of Sub-Section 2.7 that:

> "Between 1981 and September of 1984, on a limited basis, NGTL contracted with the operators of certain other pipelines for transportation associated with gas originated on the other pipeline systems. In September of 1984, NGTL discontinued this practice primarily due to the risks it perceived to NGTL's customers and shareholders in continuing to roll-in third party pipelines charges. NGTL's concerns on behalf of its customers and shareholders was that any action on the part of NGTL was subject to complaint on the basis that the charges were neither just nor reasonable. NGTL was concerned that the service contracted for reflected an over-estimation of throughput volumes for which the customer was not directly accountable. The Public Utilities Board agreed with this position in Decision E86110."

Request:

Please confirm that, with the exception of the Simmons pipeline, all of the other pipelines which currently have TBO Arrangements shown in Table 2.7.1, Page 8 of Sub-Section 2.7, are Affiliates of NGTL. If unable to confirm, please fully explain.

Response:

Confirmed.

CG-NGTL-002(e)

Reference:

Sub-Section 2.7 – Transportation by Others
Sub-Section 2.7.1 – History of Transportation by Others
Sub-Section 8.0 – The Fort McMurray Area Delivery Service

Preamble:

FIRM desires to further understand the history of TBO on the NGTL system.

NGTL states at Pages 1 - 2 of Sub-Section 2.7 that:

> "Between 1981 and September of 1984, on a limited basis, NGTL contracted with the operators of certain other pipelines for transportation associated with gas originated on the other pipeline systems. In September of 1984, NGTL discontinued this practice primarily due to the risks it perceived to NGTL's customers and shareholders in continuing to roll-in third party pipelines charges. NGTL's concerns on behalf of its customers and shareholders was that any action on the part of NGTL was subject to complaint on the basis that the charges were neither just nor reasonable. NGTL was concerned that the service contracted for reflected an over-estimation of throughput volumes for which the customer was not directly accountable. The Public Utilities Board agreed with this position in Decision E86110."

Request:

Please confirm that with the acquisition of the Simmons pipeline system, as noted at Page 8 of Sub-Section 8.2and Page 3 of Sub-Section 8.6, NGTL's proposed TBO arrangements would be exclusively with Affiliates of NGTL. If unable to confirm, please fully explain.

Response:

Confirmed.

CG-NGTL-002(f)

Reference:

Sub-Section 2.7 – Transportation by Others
Sub-Section 2.7.1 – History of Transportation by Others
Sub-Section 8.0 – The Fort McMurray Area Delivery Service

Preamble:

FIRM desires to further understand the history of TBO on the NGTL system.

NGTL states at Pages 1 - 2 of Sub-Section 2.7 that:

> "Between 1981 and September of 1984, on a limited basis, NGTL contracted with the operators of certain other pipelines for transportation associated with gas originated on the other pipeline systems. In September of 1984, NGTL discontinued this practice primarily due to the risks it perceived to NGTL's customers and shareholders in continuing to roll-in third party pipelines charges. NGTL's concerns on behalf of its customers and shareholders was that any action on the part of NGTL was subject to complaint on the basis that the charges were neither just nor reasonable. NGTL was concerned that the service contracted for reflected an over-estimation of throughput volumes for which the customer was not directly accountable. The Public Utilities Board agreed with this position in Decision E86110."

Request:

Please provide copies of all documents, minutes, summary notes, working papers, e-mails or other relevant communications related to the 1996 TTP task force meetings and subsequent conclusions. (Ref: Page 3, lines 11 - 17 of Sub-Section 2.7). If unable to provide, please fully explain including reasons why any confidentiality issues could not be overcome.

Response:

In its Decision U96001 the Board directed NGTL to re-evaluate the basis of its current TBO – Utilities practice through consultation with interested parties and to report its progress to the Board. The consultation process was undertaken but no consensus was

CG-NGTL-002(f)

reached. NGTL advised the Board that the TTP passed Resolution T96-06 which stated that the TTP could not reach consensus on the issue of Transportation by Others – Utilities. A copy of the TTP Resolution and transmittal letter to the Board are provided in Attachment CG-NGTL-002(f).

NGTL is unable to provide any further documentation related to this matter since doing so would breach the "Without Prejudice" section of the TTP's Procedures. The section stipulates that, in order to facilitate free and open communication and participation in the discussion and settlement of issues by the TTP, any documents and any communications, written or oral, that are created as part of the TTP process are confidential.

October 25, 1996

Mr. John Nichol
Division Leader
Alberta Energy and Utilities Board
10th Floor, 640 Fifth Avenue S.W.
Calgary, Alberta
T2P 3G4

Dear Mr. Nichol:

Re: NGTL's Tolls, Tariff & Procedures Committee
<u>Communication of an Unopposed Resolution</u>

On behalf of NOVA Gas Transmission Ltd.'s (NGTL) Tolls, Tariff & Procedures Committee, I am writing this letter to inform you of a resolution that was recently passed by the TTP. Resolution T96-06 relates to the issue of Transportation by Others - Utilities, a copy of which is attached. In its Decision U96001, the EUB directed NGTL to re-evaluate the basis of its current TBO - Utilities practice, consult with interested parties and report its progress to the Board.

The TTP wishes to advise the Board that the issue of Transportation by Others - Utilities was addressed by the TTP and no consensus was achieved.

Should you have any questions please call me at 261-8302.

Yours truly,

G.H. Giesbrecht
TTP Co-Chairman

cc. TTP Members
Klaus Exner, NGTL

NOVA GAS TRANSMISSION LTD.

TOLLS, TARIFF & PROCEDURES COMMITTEE

RESOLUTION FOR OCTOBER 9, 1996

Resolution T96-06

Issue: **Transportation by Others - Utilities**

Resolution:

The Transportation by Others - Utilities Task Force has worked the issue identified as T96-06. The Task Force has been unable to reach consensus on a TBO - Utilities approach. The Task Force recommends to the TTP that no further TTP action be undertaken respecting this issue. The Task Force agrees that NGTL shall report to the EUB that as directed by the Board, the issue of Transportation by Others - Utilities was addressed by the TTP and that no consensus was achieved.

Background:

NGTL was directed by the EUB in Decision U96001 (1995 GRA Phase 1 Decision) "to re-evaluate the basis of its current practice with respect to Utilities' TBO in consultation with interested parties and to report on the progress of its deliberations to the Board in its next general rate application". This matter was adopted as Issue T96-06 at the June 18, 1996 meeting of the TTP. A Task Force was struck, comprised of interested TTP members to attempt to reach industry consensus that could be forwarded to the EUB. The Task Force met on numerous occasions over the course of the following three months.

CG-NGTL-002(g)

Reference:

Sub-Section 2.7 – Transportation by Others
Sub-Section 2.7.1 – History of Transportation by Others
Sub-Section 8.0 – The Fort McMurray Area Delivery Service

Preamble:

FIRM desires to further understand the history of TBO on the NGTL system.

NGTL states at Pages 1 - 2 of Sub-Section 2.7 that:

> "Between 1981 and September of 1984, on a limited basis, NGTL contracted with the operators of certain other pipelines for transportation associated with gas originated on the other pipeline systems. In September of 1984, NGTL discontinued this practice primarily due to the risks it perceived to NGTL's customers and shareholders in continuing to roll-in third party pipelines charges. NGTL's concerns on behalf of its customers and shareholders was that any action on the part of NGTL was subject to complaint on the basis that the charges were neither just nor reasonable. NGTL was concerned that the service contracted for reflected an over-estimation of throughput volumes for which the customer was not directly accountable. The Public Utilities Board agreed with this position in Decision E86110."

Request:

With respect to the Facility Acquisition Guidelines and Criteria filing noted at Page 3 of Sub-Section 2.7, please confirm that the Board approved this filing. If unable to confirm, please fully explain the status of the filing and the proposals contained therein.

Response:

Please refer to the response to ATCO-NGTL-65(a).

CG-NGTL-002(h)

Reference:

Sub-Section 2.7 – Transportation by Others
Sub-Section 2.7.1 – History of Transportation by Others
Sub-Section 8.0 – The Fort McMurray Area Delivery Service

Preamble:

FIRM desires to further understand the history of TBO on the NGTL system.

NGTL states at Pages 1 - 2 of Sub-Section 2.7 that:

> "Between 1981 and September of 1984, on a limited basis, NGTL contracted with the operators of certain other pipelines for transportation associated with gas originated on the other pipeline systems. In September of 1984, NGTL discontinued this practice primarily due to the risks it perceived to NGTL's customers and shareholders in continuing to roll-in third party pipelines charges. NGTL's concerns on behalf of its customers and shareholders was that any action on the part of NGTL was subject to complaint on the basis that the charges were neither just nor reasonable. NGTL was concerned that the service contracted for reflected an over-estimation of throughput volumes for which the customer was not directly accountable. The Public Utilities Board agreed with this position in Decision E86110."

Request:

With respect to the NGTL Fort Saskatchewan Extension application noted at Page 4 of Sub-Section 2.7, please explain the relevance of NGTL's statement on the dismissal of the use of TBO in light of the fact that the Board denied NGTL's application.

Response:

NGTL made this statement in order to provide contextual history for its discussion of TBO policy.

CG-NGTL-003(a)

Reference:

Sub-Section 2.7 – Transportation by Others
Sub-Section 2.7.2 – NGTL's TBO Policy

Preamble:

FIRM desires to further understand NGTL's current TBO Policy

NGTL states at Pages 4 of Sub-Section 2.7.2 that:

> "NGTL's policy in respect of TBO has evolved in response to changes in the competitive landscape. NGTL is not obligated to contract for service on other pipelines in order to provide service to its current or prospective shippers when NGTL could otherwise provide such service. However, in determining how best to fulfill its contractual transportation obligations and provide service to its customers, NGTL considers whether to construct new facilities or, if the opportunity is available, to purchase existing facilities or contract for capacity on facilities owned by other parties. NGTL assesses the relative merits of each of these alternatives based on the overall benefit each provides to its customers."

NGTL then goes on to state factors that are considered when determining whether to utilize TBO or other alternatives.

Request:

Notwithstanding the factors listed on Pages 4 – 7 of Sub-Section 2.7, please discuss what NGTL's views on using TBO would be if all affected parties, excluding NGTL are in agreement with the use of TBO either on a global or a case by case basis using different or other factors than listed by NGTL.

Response:

NGTL would advocate the position that, in its opinion, provided the most benefit to the overall Alberta System.

CG-NGTL-003(b)

Reference:

Sub-Section 2.7 – Transportation by Others
Sub-Section 2.7.2 – NGTL’s TBO Policy

Preamble:

FIRM desires to further understand NGTL’s current TBO Policy

NGTL states at Pages 4 of Sub-Section 2.7.2 that:

> “NGTL’s policy in respect of TBO has evolved in response to changes in the competitive landscape. NGTL is not obligated to contract for service on other pipelines in order to provide service to its current or prospective shippers when NGTL could otherwise provide such service. However, in determining how best to fulfill its contractual transportation obligations and provide service to its customers, NGTL considers whether to construct new facilities or, if the opportunity is available, to purchase existing facilities or contract for capacity on facilities owned by other parties. NGTL assesses the relative merits of each of these alternatives based on the overall benefit each provides to its customers.”

NGTL then goes on to state factors that are considered when determining whether to utilize TBO or other alternatives.

Request:

Please discuss what NGTL means by its views on TBO evolving “...in response to changes in the competitive landscape. In your discussion, please explain, amongst other factors, why “the competitive landscape” is of relevance in the determination of whether to utilize TBO. Please also include in your discussion, how NGTL has balanced NGTL’s perspective on TBO including the benefits to NGTL’s shareholders, with the perspective of the overall economic and efficient development of pipeline facilities in Alberta.

Response:

Please refer to the response to BR-NGTL-19(a) and BR-NGTL-018(a).

CG-NGTL-003(c)

Reference:

Sub-Section 2.7 – Transportation by Others
Sub-Section 2.7.2 – NGTL's TBO Policy

Preamble:

FIRM desires to further understand NGTL's current TBO Policy

NGTL states at Pages 4 of Sub-Section 2.7.2 that:

> "NGTL's policy in respect of TBO has evolved in response to changes in the competitive landscape. NGTL is not obligated to contract for service on other pipelines in order to provide service to its current or prospective shippers when NGTL could otherwise provide such service. However, in determining how best to fulfill its contractual transportation obligations and provide service to its customers, NGTL considers whether to construct new facilities or, if the opportunity is available, to purchase existing facilities or contract for capacity on facilities owned by other parties. NGTL assesses the relative merits of each of these alternatives based on the overall benefit each provides to its customers."

NGTL then goes on to state factors that are considered when determining whether to utilize TBO or other alternatives.

Request:

With respect to NGTL's comments on "Long-term owning and operating cost of specific facilities" on Pages 4 and 5 of Sub-Section 2.7, please discuss NGTL's views on whether the "least cost analysis" and CPVCOS components analysis should be the subject of this proceeding. If not, please provide full details as to why.

Response:

No. NGTL believes that its methodologies for performing least cost analysis and determining CPVCOS are appropriate. These methodologies have been in place for several years and NGTL is not aware of any related concerns.

CG-NGTL-003(d)

Reference:

Sub-Section 2.7 – Transportation by Others
Sub-Section 2.7.2 – NGTL's TBO Policy

Preamble:

FIRM desires to further understand NGTL's current TBO Policy

NGTL states at Pages 4 of Sub-Section 2.7.2 that:

> "NGTL's policy in respect of TBO has evolved in response to changes in the competitive landscape. NGTL is not obligated to contract for service on other pipelines in order to provide service to its current or prospective shippers when NGTL could otherwise provide such service. However, in determining how best to fulfill its contractual transportation obligations and provide service to its customers, NGTL considers whether to construct new facilities or, if the opportunity is available, to purchase existing facilities or contract for capacity on facilities owned by other parties. NGTL assesses the relative merits of each of these alternatives based on the overall benefit each provides to its customers."

NGTL then goes on to state factors that are considered when determining whether to utilize TBO or other alternatives.

Request:

With respect to NGTL's comments at lines 9 – 10 on Page 5, Sub-Section 2.7, please discuss what NGTL means by "...NGTL's customers' over-all requirements for service." Please include in your discussion, which customers NGTL is referring to. (i.e. the customer requesting the service or all of NGTL's customers.)

Response:

NGTL is referring in this instance to the requirement for service of the particular customers requesting service. Examples of specific customers' requirements include the requirement for long-term security of supply or for a specific gas quality that could only be accommodated on the Alberta System.

CG-NGTL-003(d)

NGTL also considers the aggregate impact on all of its customers as discussed in Section 2.7.2, Item 2.

CG-NGTL-003(e)

Reference:

Sub-Section 2.7 – Transportation by Others
Sub-Section 2.7.2 – NGTL's TBO Policy

Preamble:

FIRM desires to further understand NGTL's current TBO Policy

NGTL states at Pages 4 of Sub-Section 2.7.2 that:

> "NGTL's policy in respect of TBO has evolved in response to changes in the competitive landscape. NGTL is not obligated to contract for service on other pipelines in order to provide service to its current or prospective shippers when NGTL could otherwise provide such service. However, in determining how best to fulfill its contractual transportation obligations and provide service to its customers, NGTL considers whether to construct new facilities or, if the opportunity is available, to purchase existing facilities or contract for capacity on facilities owned by other parties. NGTL assesses the relative merits of each of these alternatives based on the overall benefit each provides to its customers."

NGTL then goes on to state factors that are considered when determining whether to utilize TBO or other alternatives.

Request:

With respect to NGTL's comments at lines 11 – 12 on Page 5, Sub-Section 2.7, please give details about how NGTL will determine whether to apply "posted tolls" or "requested bids" to determine the cost of the TBO service option.

Response:

NGTL's practice when evaluating TBO alternatives is to apply posted tolls to the required service, or in the absence of posted tolls, to obtain bids for the service.

If NGTL has reason to believe that there is a possibility of an offer of service at a price other than that reflected in the posted tolls, NGTL will seek bids for the service.

CG-NGTL-003(f)

Reference:

Sub-Section 2.7 – Transportation by Others
Sub-Section 2.7.2 – NGTL's TBO Policy

Preamble:

FIRM desires to further understand NGTL's current TBO Policy

NGTL states at Pages 4 of Sub-Section 2.7.2 that:

> "NGTL's policy in respect of TBO has evolved in response to changes in the competitive landscape. NGTL is not obligated to contract for service on other pipelines in order to provide service to its current or prospective shippers when NGTL could otherwise provide such service. However, in determining how best to fulfill its contractual transportation obligations and provide service to its customers, NGTL considers whether to construct new facilities or, if the opportunity is available, to purchase existing facilities or contract for capacity on facilities owned by other parties. NGTL assesses the relative merits of each of these alternatives based on the overall benefit each provides to its customers."

NGTL then goes on to state factors that are considered when determining whether to utilize TBO or other alternatives.

Request:

Please give details about the bid process NGTL will utilize (Ref: lines 11 – 12, Page 5, Sub-Section 2.7).

Response:

The determination of available capacity for TBO service in the Fort McMurray area is the most recent example of applying NGTL's bid process. NGTL issued a Request for Proposal (RFP) on March 28, 2003 inviting pipeline operators in the area to submit TBO service bids or sale offers for their respective facilities. Please refer to the Application, Section 8.0 Appendix A for a copy of the RFP.

CG-NGTL-003(g)

Reference:

Sub-Section 2.7 – Transportation by Others
Sub-Section 2.7.2 – NGTL's TBO Policy

Preamble:

FIRM desires to further understand NGTL's current TBO Policy

NGTL states at Pages 4 of Sub-Section 2.7.2 that:

> "NGTL's policy in respect of TBO has evolved in response to changes in the competitive landscape. NGTL is not obligated to contract for service on other pipelines in order to provide service to its current or prospective shippers when NGTL could otherwise provide such service. However, in determining how best to fulfill its contractual transportation obligations and provide service to its customers, NGTL considers whether to construct new facilities or, if the opportunity is available, to purchase existing facilities or contract for capacity on facilities owned by other parties. NGTL assesses the relative merits of each of these alternatives based on the overall benefit each provides to its customers."

NGTL then goes on to state factors that are considered when determining whether to utilize TBO or other alternatives.

Request:

With respect to NGTL's comments at lines 1 – 5, Page 6 of Sub-Section 2.7, please explain what is meant by "longer term". (i.e. over what specific period of time), how NGTL will determine "the potential for increased revenues" and how these increased revenues "...could result in lower tolls for existing shippers.

Response:

NGTL is referring to the possibility of a situation where, because of increasing supply or market demand in a particular region, additional facilities will be required at some time in the future. The precise timeframe over which this development would occur will vary depending on the particular case.

CG-NGTL-003(g)

NGTL would determine the requirement for new facilities in the future based on its supply/demand forecast, discussions with customers, and publicly available forecast information.

By adding the transportation capacity, NGTL may retain volumes on its system by preventing offloading of supply currently connected to NGTL, position itself for attracting future increases in supply or demand (which would also increase revenue), and contribute to the utilization of all Alberta System facilities. This is in the best interest of NGTL customers as it will reduce the average unit cost of transportation and provide the lowest long-term cost alternative.

The transportation solution will be consistent with NGTL's policy to minimize long term cost of service considerations.

CG-NGTL-003(h)

Reference:

Sub-Section 2.7 – Transportation by Others
Sub-Section 2.7.2 – NGTL's TBO Policy

Preamble:

FIRM desires to further understand NGTL's current TBO Policy

NGTL states at Pages 4 of Sub-Section 2.7.2 that:

> "NGTL's policy in respect of TBO has evolved in response to changes in the competitive landscape. NGTL is not obligated to contract for service on other pipelines in order to provide service to its current or prospective shippers when NGTL could otherwise provide such service. However, in determining how best to fulfill its contractual transportation obligations and provide service to its customers, NGTL considers whether to construct new facilities or, if the opportunity is available, to purchase existing facilities or contract for capacity on facilities owned by other parties. NGTL assesses the relative merits of each of these alternatives based on the overall benefit each provides to its customers."

NGTL then goes on to state factors that are considered when determining whether to utilize TBO or other alternatives.

Request:

Please specifically explain what NTGL considers the "...administrative and operational efficiencies to be gained..." from utilizing a combined TBO plus new facilities approach will be (Ref: lines 9 – 10, Page 6, Sub-Section 2.7).

Response:

NGTL was referring to administrative and operational efficiencies to be gained from NGTL constructing capacity for an entire new volume rather than from utilizing a combined TBO plus new facilities approach.

CG-NGTL-003(i)

Reference:

Sub-Section 2.7 – Transportation by Others
Sub-Section 2.7.2 – NGTL's TBO Policy

Preamble:

FIRM desires to further understand NGTL's current TBO Policy

NGTL states at Pages 4 of Sub-Section 2.7.2 that:

> "NGTL's policy in respect of TBO has evolved in response to changes in the competitive landscape. NGTL is not obligated to contract for service on other pipelines in order to provide service to its current or prospective shippers when NGTL could otherwise provide such service. However, in determining how best to fulfill its contractual transportation obligations and provide service to its customers, NGTL considers whether to construct new facilities or, if the opportunity is available, to purchase existing facilities or contract for capacity on facilities owned by other parties. NGTL assesses the relative merits of each of these alternatives based on the overall benefit each provides to its customers."

NGTL then goes on to state factors that are considered when determining whether to utilize TBO or other alternatives.

Request:

Please specifically explain over what time frame (i.e. 1 year, 5, years, 20 years) and in what context of the word "ultimately" is meant to signify (Ref: line 12, Page 6, Sub-Section 2.7).

Response:

In this context the word "ultimately" is used in a general sense to refer to offloading that might occur at some time in the future.

CG-NGTL-003(j)

Reference:

Sub-Section 2.7 – Transportation by Others
Sub-Section 2.7.2 – NGTL's TBO Policy

Preamble:

FIRM desires to further understand NGTL's current TBO Policy

NGTL states at Pages 4 of Sub-Section 2.7.2 that:

> "NGTL's policy in respect of TBO has evolved in response to changes in the competitive landscape. NGTL is not obligated to contract for service on other pipelines in order to provide service to its current or prospective shippers when NGTL could otherwise provide such service. However, in determining how best to fulfill its contractual transportation obligations and provide service to its customers, NGTL considers whether to construct new facilities or, if the opportunity is available, to purchase existing facilities or contract for capacity on facilities owned by other parties. NGTL assesses the relative merits of each of these alternatives based on the overall benefit each provides to its customers."

NGTL then goes on to state factors that are considered when determining whether to utilize TBO or other alternatives.

Request:

Please fully explain why factor 3 "Collection of incremental revenue" is a consideration when NGTL is assessing whether to explore a TBO option.

Response:

NGTL will only enter into a TBO arrangement with another pipeline if it will collect additional or retain existing revenues as a result of incurring the additional cost of the TBO arrangement.

CG-NGTL-003(k)

Reference:

Sub-Section 2.7 – Transportation by Others
Sub-Section 2.7.2 – NGTL's TBO Policy

Preamble:

FIRM desires to further understand NGTL's current TBO Policy

NGTL states at Pages 4 of Sub-Section 2.7.2 that:

> "NGTL's policy in respect of TBO has evolved in response to changes in the competitive landscape. NGTL is not obligated to contract for service on other pipelines in order to provide service to its current or prospective shippers when NGTL could otherwise provide such service. However, in determining how best to fulfill its contractual transportation obligations and provide service to its customers, NGTL considers whether to construct new facilities or, if the opportunity is available, to purchase existing facilities or contract for capacity on facilities owned by other parties. NGTL assesses the relative merits of each of these alternatives based on the overall benefit each provides to its customers."

NGTL then goes on to state factors that are considered when determining whether to utilize TBO or other alternatives.

Request:

Please explain with respect to factor 4 "Contractual risks":

(i) what specific risks NGTL will be accessing and the basis and methodology for assessing the risks;

(ii) what customer accountability means, with a specific example;

(iii) why NGTL has to be able to control TBO costs.

CG-NGTL-003(k)

Response:

(i) NGTL is referring to the risk that by entering into a TBO arrangement, NGTL may be required to commit to paying charges for a specified contract amount. NGTL would not necessarily have corresponding assurances from its customers or from other pipeline operators that an equivalent volume of gas would flow, leaving NGTL and its shippers potentially exposed. NGTL will use qualitative and quantitative methods to assess this risk.

In addition, NGTL may be exposed to increases in costs charged by a TBO provider and have no ability to influence or control those cost increases.

(ii) Customer accountability refers to the requirement for customers to have the appropriate accountability for the costs of constructing new facilities to ensure that the facilities are used and useful. The accountability measures are defined in NGTL's tariff within each specific rate schedule and in documents such as NGTL's annual plan.

(iii) NGTL must apply to the Board for approval of TBO costs included in its revenue requirement. If the Board determines that the costs are not prudent, NGTL may be unable to recover those costs from its shippers.

CG-NGTL-003(l)

Reference:

Sub-Section 2.7 – Transportation by Others
Sub-Section 2.7.2 – NGTL's TBO Policy

Preamble:

FIRM desires to further understand NGTL's current TBO Policy

NGTL states at Pages 4 of Sub-Section 2.7.2 that:

> "NGTL's policy in respect of TBO has evolved in response to changes in the competitive landscape. NGTL is not obligated to contract for service on other pipelines in order to provide service to its current or prospective shippers when NGTL could otherwise provide such service. However, in determining how best to fulfill its contractual transportation obligations and provide service to its customers, NGTL considers whether to construct new facilities or, if the opportunity is available, to purchase existing facilities or contract for capacity on facilities owned by other parties. NGTL assesses the relative merits of each of these alternatives based on the overall benefit each provides to its customers."

NGTL then goes on to state factors that are considered when determining whether to utilize TBO or other alternatives.

Request:

Please specifically explain for each "Other consideration" noted at lines 10 – 12, Page 7, Sub-Section 7 the basis for these "other" considerations in selecting the TBO option and whether these "other" considerations have even been an issue. If so, please provide the specifics of the issues.

Response:

This section is general in nature and intended to provide a listing of potential factors that may be of significance in the evaluation of a particular TBO arrangement. There may be other factors not specifically listed that could affect the quality or ability of a TBO service to meet the needs of NGTL's customers in a specific instance.

CG-NGTL-003(l)

As an example, in its Application for Fort Saskatchewan delivery service, NGTL considered its customers' desire for security of supply through a new physical pipe connection as factors argued in determining NGTL's best option for providing service. These factors, combined with others such as the fact that the TBO and build alternatives had comparable CPVCOS, led NGTL to choose the build alternative as its preferred method to provide service.

CG-NGTL-003(m)

Reference:

Sub-Section 2.7 – Transportation by Others
Sub-Section 2.7.2 – NGTL's TBO Policy

Preamble:

FIRM desires to further understand NGTL's current TBO Policy

NGTL states at Pages 4 of Sub-Section 2.7.2 that:

> "NGTL's policy in respect of TBO has evolved in response to changes in the competitive landscape. NGTL is not obligated to contract for service on other pipelines in order to provide service to its current or prospective shippers when NGTL could otherwise provide such service. However, in determining how best to fulfill its contractual transportation obligations and provide service to its customers, NGTL considers whether to construct new facilities or, if the opportunity is available, to purchase existing facilities or contract for capacity on facilities owned by other parties. NGTL assesses the relative merits of each of these alternatives based on the overall benefit each provides to its customers."

NGTL then goes on to state factors that are considered when determining whether to utilize TBO or other alternatives.

Request:

Please indicate whether the 5 factors listed by NGTL in assessing its ability to provide TBO services will be able to be reviewed by all affected parties (i.e. affected customer(s) and affected pipeline(s)) prior to NGTL's decision to allow or not allow TBO. If not, please fully explain why not.

Response:

NGTL is required to submit an application to the Board for approval of the costs of any TBO arrangement into which it enters. All interested parties have the opportunity to participate in the Board's process.

CG-NGTL-004(a)

Reference:

Sub-Section 2.7 – Transportation by Others
Sub-Section 2.7.2 – NGTL's TBO Policy

Preamble:

FIRM desires to understand the applicability of NGTL's TBO Policy to ATCO Pipelines both with respect to producer gas which is already connected to ATCO Pipelines and future producer gas which may be connected to ATCO Pipelines.

Request:

At the present time gas originating on the ATCO Pipelines system is delivered to the NGTL through notional exchange or in summer months through physical delivery to NGTL.

(i) Please explain in detail what factors would be considered and what costs would be considered for inclusion as TBO in determining NGTL's position with respect to the eligibility of both of these types of gas delivery as TBO to NGTL. Please answer for both circumstances of ATCO Pipeline's existing rate structure and assuming that ATCO's proposed new rate structure described in their 2004 Phase II GRA is approved.

(ii) Please provide the actual volumes of physical gas delivered from ATCO Pipelines to NGTL in calendar 2002 and estimates for the volumes of such gas that will be delivered in calendar 2003 and calendar 2004.

(iii) Please provide the actual revenues received by NGTL related to these deliveries in 2002 and the estimate for revenues from such deliveries in 2003 and 2004.

Response:

(i) NGTL understands CG is describing situations where gas originating on the ATCO System is to be delivered to the Alberta System under TBO arrangements obtained by NGTL from ATCO. Regardless of ATCO's rate design, in this situation NGTL would use the factors outlined in its TBO Policy as described in Section 2.7.2 of the

CG-NGTL-004(a)

Application to evaluate service options. NGTL would consider all costs and terms and conditions associated with the TBO in its evaluation.

(ii) and (iii)

Please refer to Attachments CG-NGTL-004(a).

NGTL does not have the requested information for 2004. To illustrate the decrease in these amounts in recent years, NGTL has also included the volumes and revenues for 1997.

ATCO Deliveries to NGTL Interconnects

	1997	2002	2003
North	150	40	25
South	50	77	40
MMcf/d	199	117	66
Volume Decrease to 1997:		41%	56%
Revenue ($000)	$ 10,594	$ 5,119	$ 3,128

Notes:

1. 2003 is as of October 31, 2003.
2. For the comparative annual decrease, 2003 has been grossed up to 12 mths.
3. For Revenue calculation, 2002 Final and 2003 Interim IT-R rates were used.

CG-NGTL-004(b)

Reference:

Sub-Section 2.7 – Transportation by Others
Sub-Section 2.7.2 – NGTL's TBO Policy

Preamble:

FIRM desires to understand the applicability of NGTL's TBO Policy to ATCO Pipelines both with respect to producer gas which is already connected to ATCO Pipelines and future producer gas which may be connected to ATCO Pipelines.

Request:

Assuming a new producer whose most economic point of connection is clearly and undoubtedly to ATCO Pipelines approaches NGTL with a request for consideration of NGTL to consider TBO on ATCO Pipelines to allow such producer to achieve delivery to NGTL please explain in detail how NGTL would address that request. Please explain and reconcile any differences in NGTL's answer to the new producer's request and that answer provided in response to (a)(i) above for existing producers.

Response:

The producer's request would only be considered if it met NGTL's guidelines for providing service. If these conditions were present, NGTL would apply the criteria outlined in Section 2.7 to determine whether a TBO arrangement with ATCO was appropriate.

CG-NGTL-004(c)

Reference:

Sub-Section 2.7 – Transportation by Others
Sub-Section 2.7.2 – NGTL's TBO Policy

Preamble:

FIRM desires to understand the applicability of NGTL's TBO Policy to ATCO Pipelines both with respect to producer gas which is already connected to ATCO Pipelines and future producer gas which may be connected to ATCO Pipelines.

Request:

Please discuss and compare the current position with respect to TBO On ATCO Pipelines as described in your answers to (a) and (b) above with the TBO which was in place on ATCO Pipelines predecessor companies (CWNG and NUL) in the 1981 to 1984 time frame.

Response:

Please refer to the response to BR-NGTL-018(a).

CG-NGTL-004(d)

Reference:

Sub-Section 2.7 – Transportation by Others
Sub-Section 2.7.2 – NGTL's TBO Policy

Preamble:

FIRM desires to understand the applicability of NGTL's TBO Policy to ATCO Pipelines both with respect to producer gas which is already connected to ATCO Pipelines and future producer gas which may be connected to ATCO Pipelines.

Request:

Please provide NGTL's position with respect to the practicability of addressing TBO issues between NGTL and ATCO Pipelines in separate NGTL and ATCO proceedings as compared to dealing with these issues in a separate joint module following completion of NGTL's and ATCO's separate proceedings.

Response:

NGTL believes these issues can be dealt with in separate proceedings.

CG-NGTL-005

Reference:

Sub-Section 2.7 – Transportation by Others
Sub-Section 2.7.2 – NGTL's TBO Policy
Sub-Section 2.7.3 – TBO Arrangements with Affiliates

Preamble:

FIRM desires to further understand the applicability of NGTL's TBO Policy discussed in Sub-Section 2.7.2 with respect to NGTL's current TBO arrangements with its Affiliates

NGTL states at Pages 7 of Sub-Section 2.7.3 that:

> "NGTL's policy does not differentiate between its affiliates and arm's-length parties when evaluating or contracting for TBO. Any TBO arrangements entered into with NGTL affiliates will be obtained as if the affiliate was an arm's-length party in accordance with the terms and conditions outlined in NGTL's Code of Conduct."

Request:

Other than the summaries provided at Pages 8 – 12 of Sub-Section 2.7.4, please provide any more specific details, including copies of any meeting notes, documents, workpapers or summaries, of how each of the factors listed in Sub-Section 2.7.2 have been applied to come to NGTL's decision that TBO is appropriate for each of the NGTL Affiliates shown in Table 2.7.1.

Response:

The Foothills Zone 6 and Zone 7 TBO were contracted prior to the existence of the current TBO Policy. Please refer to Section 2.1.1 of the Application for a full description of the History of Transportation by Others. Also, please refer to the response BR-NGTL-037(b).

The Existing (2002) Transportation Agreement with Ventures was also created prior to the existence of the current TBO Policy. Furthermore it has been examined by NGTL's customers, stakeholders and approved in Board Decisions 2002-16 and 2003-051. As a result NGTL believes that the TBO agreement is appropriate.

With respect to the New (2004) Transportation Arrangement with Ventures, the long term owning and operating cost of specific facilities and impact on overall system costs are evaluated in the CPVCOS analysis of various solutions that are considered. Please refer to Section 8.10 of the Application.

NGTL is confident that the Ventures TBO will only be used to transport gas volumes that have paid the appropriate NGTL tolls.

NGTL is satisfied that contractual risks of the Ventures TBO are manageable, that the forecast volumes will flow, and that costs are controllable. Note that the contracted Ventures capacity will be used to serve binding firm contracts.

CG-NGTL-006(a)

Reference:

Sub-Section 2.4 – Depreciation and Amortization
Sub-Section 4.0 - Depreciation

Request:

Please confirm that since 1995, NGTL has consistently credited the Accumulated Depreciation account/sub-account with the same Depreciation Expense recorded to each respective asset account/sub-account. If unable to confirm, please fully explain.

Response:

Confirmed.

CG-NGTL-006(b)

Reference:

Sub-Section 2.4 – Depreciation and Amortization
Sub-Section 4.0 - Depreciation

Request:

Please confirm that NGTL has never had specific approval of NGTL's depreciation parameters (i.e. average service life, dispersion and net salvage) and resulting depreciation rates for each of NGTL's asset accounts from the EUB or its predecessor, the Public Utilities Board of Alberta (PUB). If unable to confirm, please give specific references from the relevant EUB or PUB decisions.

Response:

Confirmed.

CG-NGTL-006(c)

Reference:

Sub-Section 2.4 – Depreciation and Amortization
Sub-Section 4.0 - Depreciation

Request:

Please confirm that NGTL's reference to the ELG methodology at line 4, Page 3, Sub-Section 4.0 is meant to mean ELG procedure. If unable to confirm, please fully explain.

Response:

Confirmed.

CG-NGTL-006(d)

Reference:

Sub-Section 2.4 – Depreciation and Amortization
Sub-Section 4.0 - Depreciation

Request:

Please provide the basis for the determination of the composite depreciation rate of 2.96% shown at the top of Page 4, of Sub-Section 4.0.

Response:

The composite depreciation rate of 2.96% was based on the depreciation rates applied for in the 1995 GRA adjusted proportionately to achieve the $30 million depreciation expense reduction ordered by the Board in Decision U96001.

CG-NGTL-006(e)

Reference:

Sub-Section 2.4 – Depreciation and Amortization
Sub-Section 4.0 - Depreciation

Request:

Please indicate which entity, NGTL or any of its Affiliate, or Gannett Fleming initially proposed:

(i) the truncation approach to depreciable facilities;

(ii) the depletion approach for all receipt meter stations and all pipelines less than NPS 24;

(iii) the use of the unit of production methodology for depleteable facilities;

(iv) the use of amortization account for certain general plant accounts;

(v) the inclusion of costs of interim retirements in the estimation of future net salvage;

(vi) the exclusion of any provision for net salvage on terminal retirement.

Response:

Gannett Fleming initially proposed truncation for depreciable assets, the depletion/unit of production methodology for depletable assets, the use of amortization accounting for certain general plant accounts and the inclusion of net salvage provisions.

NGTL developed the criteria regarding the definition of depletable plant. NGTL decided to apply net salvage percentages only to the assets subject to interim retirements.

CG-NGTL-007(a)

Reference:

Sub-Section 4.5 – Economic Planning Horizon

Preamble:

NGTL states at Page 14 of Sub-Section 4.5 that:

> "In order to determine the mid-point of terminal retirements, NGTL undertook a retirement analysis. Based on the results of the Supply Study and pipeline engineering principles, the retirement analysis estimates the distribution of terminal retirements over the supply forecast period, therefore allowing the identification of the mid-point."

Further, at Page 15 of Sub-Section 4.5, NGTL also stated that:

> "Alliance Pipeline (in service December 2000) and Maritimes & Northeast Pipelines (in service December 1999) use NEB-approved 25 year depreciation rates which imply economic planning horizons ending significantly earlier than 2025. Alliance being a direct competitor of NGTL, the use of a truncation date later than 2025 for the Alberta System would put NGTL at a competitive disadvantage beyond that date."

Request:

Please explain what specific truncation date the NEB approved for the Alliance Pipelines system.

Response:

The depreciation rates for the Alliance pipeline were calculated using a 25 year amortization period. The depreciation calculations for the Alliance pipeline were not based on traditional depreciation rate calculations which include a truncation date.

It should be noted that the 25 year amortization period used by Alliance will result in the complete amortization of all original investment within the 25 year period, whereas the 23 year truncation period used by NGTL in this application is based on the mid-point of significant retirement activity. It is not anticipated that NGTL's assets will be fully depreciated by the truncation date of December 31, 2025.

CG-NGTL-007(b)

Reference:

Sub-Section 4.5 – Economic Planning Horizon

Preamble:

NGTL states at Page 14 of Sub-Section 4.5 that:

> "In order to determine the mid-point of terminal retirements, NGTL undertook a retirement analysis. Based on the results of the Supply Study and pipeline engineering principles, the retirement analysis estimates the distribution of terminal retirements over the supply forecast period, therefore allowing the identification of the mid-point."

Further, at Page 15 of Sub-Section 4.5, NGTL also stated that:

> "Alliance Pipeline (in service December 2000) and Maritimes & Northeast Pipelines (in service December 1999) use NEB-approved 25 year depreciation rates which imply economic planning horizons ending significantly earlier than 2025. Alliance being a direct competitor of NGTL, the use of a truncation date later than 2025 for the Alberta System would put NGTL at a competitive disadvantage beyond that date."

Request:

Please confirm that the specific truncation date the NEB approved for the Alliance Pipeline system is applied to each and every asset account of Alliance. If not, please fully explain.

Response:

Please refer to the response to CG-NGTL-007(a).

CG-NGTL-007(c)

Reference:

Sub-Section 4.5 – Economic Planning Horizon

Preamble:

NGTL states at Page 14 of Sub-Section 4.5 that:

> "In order to determine the mid-point of terminal retirements, NGTL undertook a retirement analysis. Based on the results of the Supply Study and pipeline engineering principles, the retirement analysis estimates the distribution of terminal retirements over the supply forecast period, therefore allowing the identification of the mid-point."

Further, at Page 15 of Sub-Section 4.5, NGTL also stated that:

> "Alliance Pipeline (in service December 2000) and Maritimes & Northeast Pipelines (in service December 1999) use NEB-approved 25 year depreciation rates which imply economic planning horizons ending significantly earlier than 2025. Alliance being a direct competitor of NGTL, the use of a truncation date later than 2025 for the Alberta System would put NGTL at a competitive disadvantage beyond that date."

Request:

Please explain if NGTL would support the use of a truncation date for the depreciation of facilities of its regulated competitor in Alberta, ATCO Pipelines. If not, please fully explain.

Response:

NGTL believes that the use of a reasonably developed truncation date is appropriate in the development of depreciation rates for its Alberta System. NGTL cannot comment on the legitimacy of a truncation date for ATCO Pipelines, until an application including the justification and support for the use and selection of a specific truncation date is submitted by ATCO Pipelines.

CG-NGTL-007(d)

Reference:

Sub-Section 4.5 – Economic Planning Horizon

Preamble:

NGTL states at Page 14 of Sub-Section 4.5 that:

> "In order to determine the mid-point of terminal retirements, NGTL undertook a retirement analysis. Based on the results of the Supply Study and pipeline engineering principles, the retirement analysis estimates the distribution of terminal retirements over the supply forecast period, therefore allowing the identification of the mid-point."

Further, at Page 15 of Sub-Section 4.5, NGTL also stated that:

> "Alliance Pipeline (in service December 2000) and Maritimes & Northeast Pipelines (in service December 1999) use NEB-approved 25 year depreciation rates which imply economic planning horizons ending significantly earlier than 2025. Alliance being a direct competitor of NGTL, the use of a truncation date later than 2025 for the Alberta System would put NGTL at a competitive disadvantage beyond that date."

Request:

Please explain if NGTL would support the use of the depletion procedure by its other regulated competitor in Alberta, ATCO Pipelines, for ATCO Pipelines' meter stations and pipelines less than NPS 24.

Response:

NGTL cannot comment on the legitimacy of the use of the unit of production method for ATCO Pipelines until an application including the reasons for the use of the unit of production method is submitted by ATCO Pipelines. Only when all of the relevant information is known, can the merits of the use of the Unit of Production method for ATCO Pipelines be assessed.

CG-NGTL-007(e)

Reference:

Sub-Section 4.5 – Economic Planning Horizon

Preamble:

NGTL states at Page 14 of Sub-Section 4.5 that:

> "In order to determine the mid-point of terminal retirements, NGTL undertook a retirement analysis. Based on the results of the Supply Study and pipeline engineering principles, the retirement analysis estimates the distribution of terminal retirements over the supply forecast period, therefore allowing the identification of the mid-point."

Further, at Page 15 of Sub-Section 4.5, NGTL also stated that:

> "Alliance Pipeline (in service December 2000) and Maritimes & Northeast Pipelines (in service December 1999) use NEB-approved 25 year depreciation rates which imply economic planning horizons ending significantly earlier than 2025. Alliance being a direct competitor of NGTL, the use of a truncation date later than 2025 for the Alberta System would put NGTL at a competitive disadvantage beyond that date."

Request:

Please fully explain why if NGTL would be opposed to the EUB accepting the policy of truncation for NGTL but changing the truncation date to a different date further in the future than 2025.

Response:

As indicated in the response to CG-NGTL-012(g), the choice of a truncation date is based on the company's estimate of the mid point in time that significant final retirements will be made to its system. In support of its truncation date of 2025, the company has developed detailed analysis of long term supply and system requirements (retirement analysis). Only in the circumstances where it is apparent that the mid point of significant

CG-NGTL-007(e)

retirement activity extends beyond 2025, would it be reasonable to extend the truncation date beyond 2025.

CG-NGTL-008(a)

Reference:

Sub-Section 4.6 – Estimates of Net Salvage

Preamble:

NGTL states at Page 16, lines 16 - 17 of Sub-Section 4.6 that:

> "For general plant accounts that use amortization accounting, net salvage proceeds will be netted against the cost of new assets acquired in the year removal costs are paid or salvage proceeds received."

Further, NGTL states at Page 16, lines 24 – 26, Sub-Section 4.6 that:

> "...including net salvage in the determination of amortization rates would not significantly impact the rates calculated but would increase the effort required to determine those rates."

Request:

Please provide details of which regulated utilities that amortize General Plant accounts also net the proceeds of net salvage off against the cost of new assets.

Response:

The Board has approved this treatment in Decision U96002 (Centra Gas Alberta Line).

The referenced procedure to net salvage proceeds against the cost of new additions acquired in the year removal costs are paid or salvage proceeds received, is a procedure that was mandated by the National Energy Board in Decision RH-1-2002 for the TransCanada Mainline. While similar procedures may be in place for other utilities, it was the NEB Decision that led to the proposal of the procedure in this proceeding.

CG-NGTL-008(b)

Reference:

Sub-Section 4.6 – Estimates of Net Salvage

Preamble:

NGTL states at Page 16, lines 16 - 17 of Sub-Section 4.6 that:

> "For general plant accounts that use amortization accounting, net salvage proceeds will be netted against the cost of new assets acquired in the year removal costs are paid or salvage proceeds received."

Further, NGTL states at Page 16, lines 24 – 26, Sub-Section 4.6 that:

> "...including net salvage in the determination of amortization rates would not significantly impact the rates calculated but would increase the effort required to determine those rates."

Request:

In the case where there is no new additions to General Plant assets being removed, please explain the treatment of the proceeds of net salvage in that case.

Response:

In the case where there are no new additions to General Plant assets being removed, proceeds of net salvage values would be added to GPIS as a negative asset.

CG-NGTL-008(c)

Reference:

Sub-Section 4.6 – Estimates of Net Salvage

Preamble:

NGTL states at Page 16, lines 16 - 17 of Sub-Section 4.6 that:

> "For general plant accounts that use amortization accounting, net salvage proceeds will be netted against the cost of new assets acquired in the year removal costs are paid or salvage proceeds received."

Further, NGTL states at Page 16, lines 24 – 26, Sub-Section 4.6 that:

> "...including net salvage in the determination of amortization rates would not significantly impact the rates calculated but would increase the effort required to determine those rates."

Request:

Please provide details of the analysis that was performed to determine that there would be an increase in effort required to determine General Plant asset depreciation rates if net salvage was not "netted" against the cost of new assets. Please include in the details, the number of additional FTEs that would be required.

Response:

The calculation of general plant asset depreciation rates would be more complex because it would require the estimation of net salvage proceeds. However, the real benefit of amortization accounting is the method itself and the time saved not having to individually track and retire the small components of these assets.

NGTL has been using amortization accounting for general plant assets since 1996. If amortization accounting was not used, the alternative depreciation methodology for the determination of the depreciation rate and the related accounting would require additional staff due to having to individually track and retire the small components of these assets.

CG-NGTL-008(c)

NGTL has not analyzed in detail what this significant additional effort would be in terms of full time equivalents.

CG-NGTL-009

Reference:

Appendix A – Supply Study

Request:

(a) Please indicate which entity (NGTL, NGTL Affiliate, Gannett Fleming or; other contractor) prepared Appendix A – Supply Study.

(b) Please provide dates, for each of the scenarios (i.e. high and low case) examined by NGTL, when NGTL expects that gas, from whatever source (i.e. WCSB, Alaska – McKenzie Valley, coal bed methane) will not be flowing in NGTL's mainline system.

(c) If not included in (b), please confirm that NGTL does not expect any gas to continue to flow in its mainline system past 2030.

Response:

Please refer to the response to CG-NGTL-010(a), (b) and (c).

CG-NGTL-010(a)

Reference:

Appendix A – Supply Study - Depreciation

Request:

Please indicate which entity (NGTL, NGTL Affiliate, Gannett Fleming or other contractor) prepared Appendix A – Supply Study.

Response:

NGTL.

CG-NGTL-010(b)

Reference:

Appendix A – Supply Study - Depreciation

Request:

Please provide dates, for each of the scenarios (i.e. high and low case) examined by NGTL, when NGTL expects that gas, from whatever source (i.e. WCSB, Alaska – McKenzie Valley, coal bed methane) will not be flowing in NGTL's mainline system.

Response:

NGTL has not performed such an analysis.

CG-NGTL-010(c)

Reference:

Appendix A – Supply Study - Depreciation

Request:

If not included in (b), please confirm that NGTL does not expect any gas to continue to flow in its mainline system past 2030.

Response:

Not confirmed.

CG-NGTL-010(d)

Reference:

Appendix A – Supply Study - Depreciation

Request:

Please explain if NGTL anticipates that at some point in the future, it will not install mainline facilities because of the approach of the 2025 truncation date and, amongst other things, the potential significant impact on depreciation expense of the amortization of facilities over a very short period of time. If so, please provide NGTL's estimate of what date that would be?

Response:

NGTL does not anticipate this. The decision to install facilities will be based on the service need rather than on the fact that the depreciation rates are calculated using a truncation date.

CG-NGTL-011(a)

Reference:

Appendix B – Retirement Analysis - Depreciation

Request:

As noted in Table 1, Page 6 of Appendix B, please confirm that as of 2030, there is still 40% of the total plant remaining from 2002. If unable to confirm, please fully explain.

Response:

As of 2030, 40% of the total depreciable pipelines and compression facilities remain, based on the original book cost of those facilities at December 31, 2002.

CG-NGTL-011(b)

Reference:

Appendix B – Retirement Analysis - Depreciation

Request:

Please provide the specific additions by asset account from 2002 to 2030 that will be required to be installed to meet customer requirements over that time period. If not analyzed as part of the retirement analysis, please fully explain.

Response:

Future facilities additions were not analyzed as part of the retirement analysis because their costs had not been incurred as of December 31, 2002.

CG-NGTL-011(c)

Reference:

Appendix B – Retirement Analysis - Depreciation

Request:

Please provide NGTL's estimate of the total depreciable plant in service as of 2030, based on its retirement analysis. If not available, please explain why not.

Response:

As stated in Table 1 on page 6 of Appendix B of section 4.0, the estimated original book cost of the depreciable pipelines and compression facilities remaining as of 2030 is estimated to be $1,799 Million.

CG-NGTL-012(a)

Reference:

Appendix C – Depreciation Study

Request:

Please provide copies of all notes from meetings, discussions, field visits between NGTL and Gannett Fleming exchanged as part of the conduct of the depreciation study.

Response:

Please refer to the response to ATCO-NGTL-012(a) and (b).

CG-NGTL-012(b)

Reference:

Appendix C – Depreciation Study

Request:

Please provide details including copies of any notes and pictures taken by Gannett Fleming staff of the field visits of NGTL facilities conducted as part of the depreciation study.

Response:

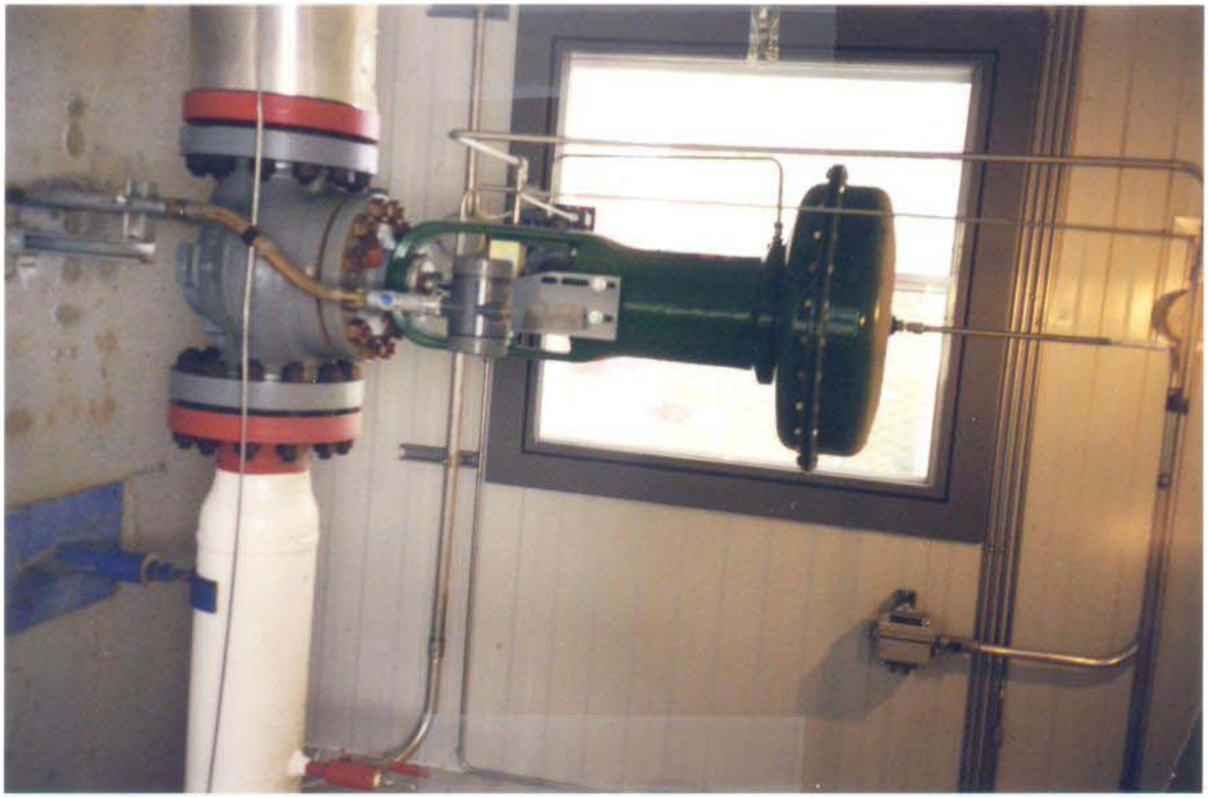
In addition to the staff interviews as summarized in the interview notes provided in the response to ATCO-NGTL-012(b), a field visit of Alberta System facilities was conducted by Gannett Fleming, which included the Wolverine Control Valve Meter Station, the Cranberry Sales Station, the Cranberry Receipt Station, a mainline block valve site and the Cardinal Lake Compression Station.

The requested photographs are provided in Attachment CG-NGTL-012(b).

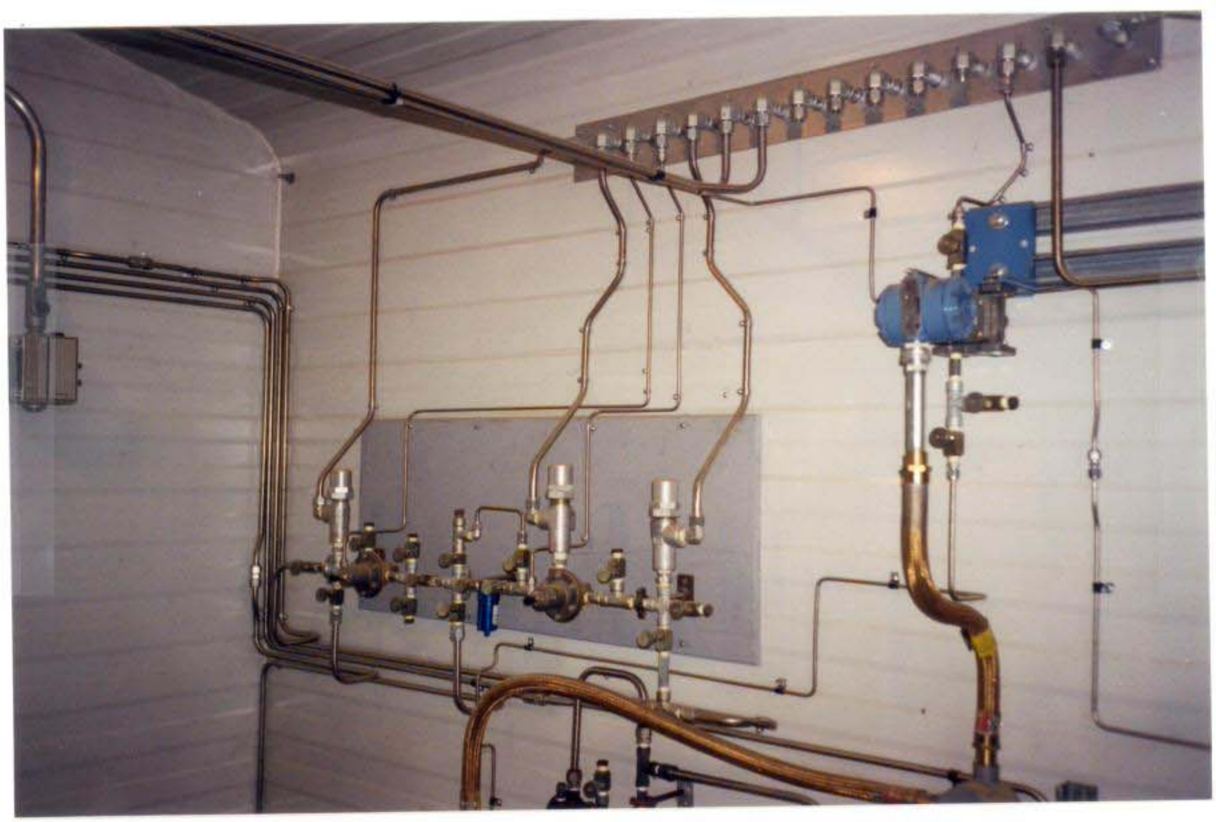
SCADA BUILDING
80' TOWER - TO BE RETIRED

WOLVERINE CONTROL VALVE

Gas Control Valve



Gas Regulator



SKID MOUNTING

M/L BLOCK VALVE

CRANBERRY SALES STATION

- PURCHASED FROM ANG IN 94, BUILT IN 85'

LINE HEATER

FILTER TO REMOVE LIQUIDS

CONTROL VALVE

CRANBERRY RECIEPT STATION

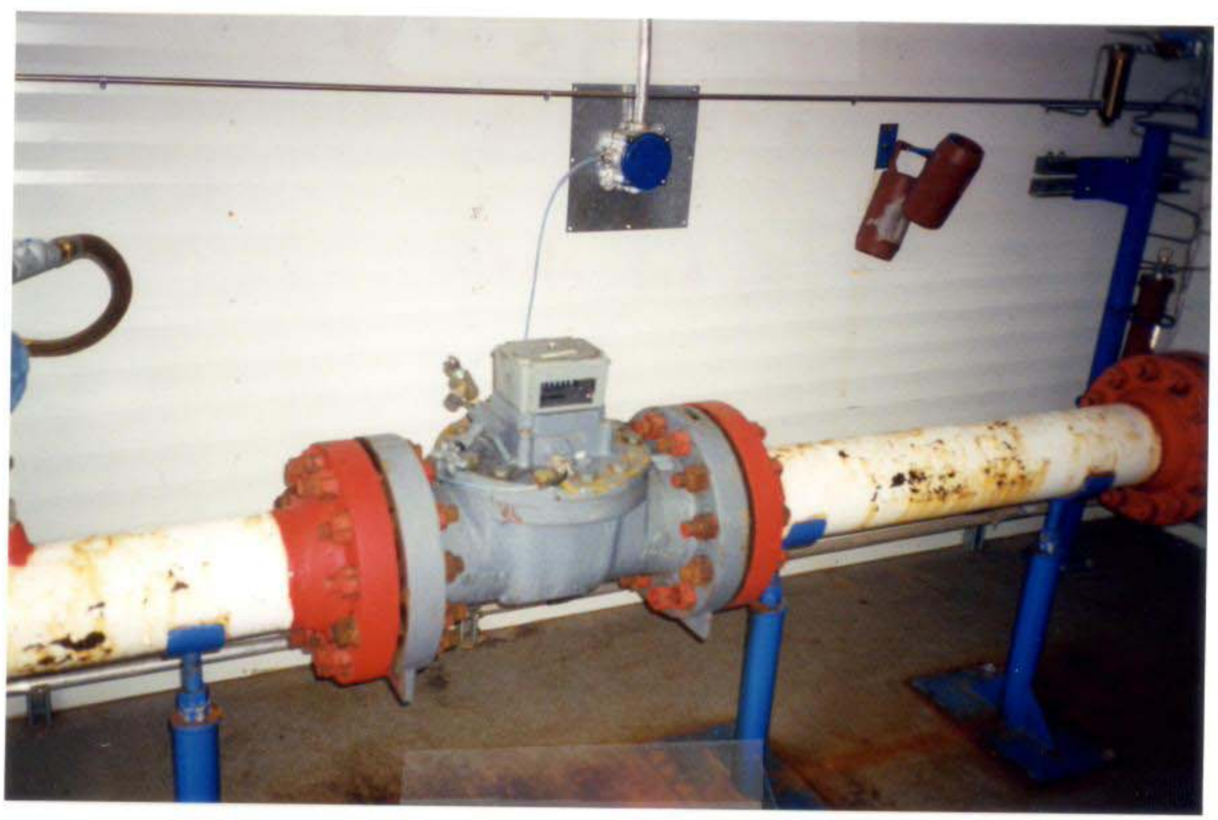
- BUILT IN 2000

POSITIVE DISPLACEMENT METER

CRANBERRY SALES METERING STATION

- BUILT IN 93'

TURBINE METER



INSTRUMENT BUILDING

SMALL PARTS INVENTORY

M/L BLOCK VALVE

SCRAPPER TRAP

CARDINAL LAKE COMPRESSOR STATION

- 3 RECIEPT UNITS
- BUILT IN 83', EXPANDED IN 90'

AIR INTAKE UNITS

COMPRESSOR YARD PIPING

PERMANENT BUILDING FOUNDATION

YARD PIPING

M/L BLOCK VALVE SITE

CG-NGTL-012(c)

Reference:

Appendix C – Depreciation Study

Request:

Please provide hardcopy and in electronic form (Excel, Lotus or Notepad) a copy of all life and net salvage data that Gannett Fleming used to perform its historical analysis of NGTL's facilities. Further, please provide the net salvage information split between "interim" and "terminal retirements.

Response:

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

Please refer to Table 3 in the depreciation study for the weighting of the net salvage percentages into terminal and interim amounts. All historic transactions to date are considered as interim retirements.

CG-NGTL-012(d)

Reference:

Appendix C – Depreciation Study

Request:

With respect to the depletion procedure, please explain why Gannett Fleming chose the whole life approach rather than the remaining life approach to the depletion of the respective assets.

Response:

The Board has a long history of approving depreciation rates calculated on a Whole Life basis, which are trued-up over the estimated remaining life of each account. Decision E82131 (1982, Transalta Utilities Corporation) includes a discussion of the use of the Whole Life Basis (pages 31-37). Since the release of Decision E82131, utilities under the jurisdiction of the EUB generally have used the Whole Life basis.

NGTL believes that there is no reason to discontinue the use of the Whole Life Basis of the depreciation rate calculation for either the depreciable or depletable plant. Furthermore, it should be recognized that depreciation rates incorporating a whole life basis, that are trued-up over the expected average remaining life of an account, will provide the same result as depreciation rates that are calculated incorporating the Remaining Life Basis.

CG-NGTL-012(e)

Reference:

Appendix C – Depreciation Study

Request:

Please provide the composite depreciation rates for each asset account shown in Table 1, by depreciable and depleteable asset categories.

Response:

Please refer to Attachment CG-NGTL-012(e).

In Table 1 of the Depreciation Study, Gannett Fleming shows only the composite depreciation rate at the account level. This was done at NGTL's request.

The plant accounting system applies the composite depreciation rate for a specific account to the pool of assets in that account, not to separate pools for depletable and depreciable assets, if such a split exists for that account, e.g. 4631 Meter Stations Site. NGTL is applying for the Board to approve the composite depreciation rate for each individual account.

ACCOUNT	DESCRIPTION	RATE	
		Depreciable	Depletable
	METER STATIONS		
4611	LAND RIGHTS	5.11%	2.86%
4630	BUILDINGS	6.05%	3.23%
4631	SITE	7.84%	4.88%
4670	AUTOMATION	6.10%	3.07%
4671	INSTRUMENTATION	6.70%	3.25%
4672	PIPING	5.69%	3.01%
4673	ELECTRICAL SYSTEM	5.52%	2.69%
	PIPELINES		
4610	LAND RIGHTS	3.09%	1.87%
4651	PIPE	3.23%	2.42%
4652	VALVE ASSEMBLIES	3.84%	2.89%

CG-NGTL-012(f)

Reference:

Appendix C – Depreciation Study

Request:

Please explain how the composite remaining life for depleteable assets was determined in Table 2.

Response:

Please refer to the response to ATCO-NGTL-029. The detail provides the calculation of the average remaining life for each account.

CG-NGTL-012(g)

Reference:

Appendix C – Depreciation Study

Request:

Please provide details of what the total and individual asset account depreciation expense for depreciable assets would be, if no truncation date was used. Please use the format provided in Table 1.

Response:

Attachment CG-NGTL-012(g) provides the requested details. The resulting overall composite depreciation rate is 3.42%.

NGTL does not believe that this reflects an appropriate depreciation rate for Alberta System Facilities.

NOVA GAS TRANSMISSION LTD

TABLE 1 SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE , ORIGINAL COST
AND CALCULATED ANNUAL AND ACCRUED DEPRECIATION AS OF DECEMBER 31, 2002
CG - NGTL - 12(G) **NO TRUNCATION**

ACCOUNT	DESCRIPTION	SURVIVOR CURVE		NET SALVAGE	ORIGINAL COST AT DECEMBER 31, 2002	CALCULATED ACCRUED DEPRECIATION	ANNUAL ACCRUAL	TRUE UP	TOTAL EXPENSE	RATE
(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)	(9)=(7)+(8)	(10)
	METER STATIONS									
4611	LAND RIGHTS									
	DEPRECIABLE	27-R0.5	*	0	265,142.31	100,856	10,581	1,623	12,204	
	DEPLETABLE			0	799,931.61	428,518	15,871	6,895	22,766	
					1,065,073.92	529,374	26,452	8,518	34,970	3.28
4630	BUILDINGS									
	DEPRECIABLE	27-R0.5	*	-15	21,005,878.78	10,041,863	935,848	268,989	1,204,837	
	DEPLETABLE			-15	50,588,443.14	28,664,984	1,064,555	570,065	1,634,620	
					71,594,321.92	38,706,847	2,000,403	839,054	2,839,457	3.97
4631	SITE									
	DEPRECIABLE	27-R0.5	*	-50	7,297,823.57	4,521,147	422,526	167,552	590,078	
	DEPLETABLE			-50	9,941,379.90	7,669,581	266,277	221,839	488,116	
					17,239,203.47	12,190,728	688,804	389,391	1,078,195	6.25
4670	AUTOMATION									
	DEPRECIABLE	27-R0.5	*	0	16,756,572.91	5,565,219	705,945	189,511	895,456	
	DEPLETABLE			0	39,544,868.01	20,266,528	681,468	531,059	1,212,527	
					56,301,440.92	25,831,747	1,387,413	720,570	2,107,983	3.74
4671	INSTRUMENTATION									
	DEPRECIABLE	27-R0.5	*	0	24,448,738.02	5,942,362	1,199,141	223,278	1,422,419	
	DEPLETABLE			0	36,221,217.59	17,247,213	652,372	521,598	1,173,970	
					60,669,955.61	23,189,575	1,851,512	744,876	2,596,388	4.28
4672	PIPING									
	DEPRECIABLE	27-R0.5	*	-10	88,557,054.73	41,205,588	3,809,800	916,354	4,726,154	
	DEPLETABLE			-10	129,220,403.18	68,211,056	2,768,527	1,117,729	3,886,256	
					217,777,457.91	109,416,644	6,578,327	2,034,083	8,612,410	3.95
4673	ELECTRICAL SYSTEM									
	DEPRECIABLE	27-R0.5	*	0	14,008,002.76	5,379,105	557,515	131,095	688,610	
	DEPLETABLE			0	38,278,464.50	19,177,083	675,517	348,832	1,024,349	
					52,286,467.26	24,556,188	1,233,032	479,927	1,712,959	3.28
	TOTAL METER STATIONS				476,933,921.01	234,421,103	13,765,943	5,216,419	18,982,362	
	COMPRESSOR STATIONS									
4612	LAND RIGHTS	30-S3	*	0	868,287.75	196,218	30,972	3,114	34,086	3.93
4620	BUILDINGS	25-S2	*	-20	166,903,893.33	88,528,102	8,514,552	2,446,518	10,961,070	6.57
4621	SITE	27-S2	*	-75	46,741,022.11	36,012,433	3,224,299	1,788,967	5,013,266	10.73
4661	COMPRESSOR UNIT	23-R2.5	*	5	720,377,656.02	304,577,223	30,859,647	5,314,151	36,173,798	5.02
4662	PIPING	24-R2.5	*	-10	414,916,771.88	196,579,923	19,817,606	4,453,845	24,271,451	5.85
4663	INSTRUMENTATION	24-R2.5	*	-5	28,777,806.60	11,728,077	1,334,550	174,297	1,508,847	5.24
4664	ELECTRIC SYSTEM	24-R2.5	*	0	94,312,300.58	43,029,809	4,051,078	430,053	4,481,131	4.75
4665	CONTROL SYSTEM	20-S0.5	*	0	42,003,038.93	17,617,238	2,263,456	643,598	2,907,054	6.92
	TOTAL COMPRESSOR STATIONS				1,514,900,777.20	698,269,023	70,096,159	15,254,543	85,350,702	
	PIPELINES									
4610	LAND RIGHTS									
	DEPRECIABLE	65-R3	*	0	20,844,708.03	4,421,580	354,601	(5,644)	348,957	
	DEPLETABLE			0	32,343,339.39	16,422,965	573,962	(42,487)	531,475	

NOVA GAS TRANSMISSION LTD

TABLE 1 SUMMARY OF ESTIMATED SURVIVOR CURVES, NET SALVAGE , ORIGINAL COST
AND CALCULATED ANNUAL AND ACCRUED DEPRECIATION AS OF DECEMBER 31, 2002
CG - NGTL - 12(G) **NO TRUNCATION**

ACCOUNT	DESCRIPTION	SURVIVOR CURVE		NET SALVAGE	ORIGINAL COST AT DECEMBER 31, 2002	CALCULATED ACCRUED DEPRECIATION	ANNUAL ACCRUAL	TRUE UP	TOTAL EXPENSE	RATE
(1)	(2)	(3)		(4)	(5)	(6)	(7)	(8)	(9)=(7)+(8)	(10)
					53,188,047.42	20,844,545	928,563	(48,131)	880,432	1.66
4651	PIPE									
	DEPRECIABLE	65-R3	*	-10	2,868,851,292.21	652,483,306	53,780,157	(906,731)	52,873,426	
	DEPLETABLE			-10	1,700,572,571.72	884,657,151	37,621,501	(2,694,587)	34,926,914	
					4,569,423,863.94	1,537,140,457	91,401,658	(3,601,318)	87,800,340	1.92
4652	VALVE ASSEMBLIES									
	DEPRECIABLE	55-R2	*	-10	203,188,321.67	47,376,501	4,834,067	168,570	5,002,637	
	DEPLETABLE			-10	92,296,642.96	48,479,065	2,073,246	341,285	2,414,531	
					295,484,964.64	95,855,566	6,907,312	509,855	7,417,167	2.51
	TOTAL PIPELINES				4,918,096,876.00	1,653,840,568	99,237,533	(3,139,594)	96,097,939	
	GENERAL PLANT									
4010	INTANGIBLE ASSETS	20-SQ		0	6,678,074.29	4,725,416	300,409	52,621	353,030	5.29
4821	BUILDINGS	30-L1.5		20	82,355,236.48	31,218,304	2,346,840	1,470,191	3,817,031	4.63
4831	OFFICE FURNITURE	15-SQ		0	27,151,240.22	12,982,064	1,674,240	(165,381)	1,508,859	5.56
4832	OFFICE EQUIPMENT	15-SQ		0	4,418,965.36	2,816,663	294,745	(294,745)	-	0.00
4834	COMPUTER HARDWARE	5 -SQ		0	56,116,016.47	31,381,778	11,223,203	4,221,199	15,444,402	27.52
4836	COMPUTER SOFTWARE	5- SQ		0	133,250,039.67	68,151,082	26,650,008	11,784,548	38,434,556	28.84
4841	VEHICLES AND TRAILERS	7-L2		30	28,430,669.56	14,585,435	2,005,011	161,082	2,166,093	7.62
4850	HEAVY WORK EQUIPMENT	20-S0.5		20	10,157,196.09	4,597,040	382,445	(173,320)	209,125	2.06
4860	TOOLS AND WORK EQUIPMENT	30-SQ		0	34,093,774.95	5,235,216	1,135,323	(450,651)	684,672	2.01
4880	MISCELLANEOUS EQUIPMENT	20-SQ		0	22,557,075.31	4,157,014	1,127,831	7,228	1,135,059	5.03
	TOTAL GENERAL PLANT				405,208,288.40	179,850,012	47,140,055	16,612,772	63,752,827	
	TOTAL PLANT STUDIED				7,315,139,862.61	2,766,380,706	230,239,690	33,944,140	264,183,830	
	PLANT NOT STUDIED									
4820/4822	LEASEHOLD IMPROVEMENTS				10,340,641.31					
4601	LAND				11,916,063.13					
4602	LAND				-					
4600	LAND				-					
4800	LAND				-					
4810	LAND RIGHTS				626.00					
4842	AIRCRAFT				2,596,773.81					
	AFUDC				128,310.33					
	TOTAL PLANT NOT STUDIED				24,982,414.58					
	TOTAL NGTL PLANT				7,340,122,277.19					

NOVA GAS TRANSMISSION LTD

TABLE 2 SUMMARY OF CALCULATED ACCRUED DEPRECIATION, BOOKED ACCUMULATED DEPRECIATION
AND CALCUALTION OF ANNUAL TRUE-UP PROVISION AS OF DECEMBER 31, 2002
CG - NGTL - 12(G) **NO TRUNCATION**

ACCOUNT	DESCRIPTION	ORIGINAL COST AT DEMEMBER 31, 2002	CALCULATED ACCRUED DEPRECIATION	BOOKED ACCUMULATED DEPRECIATION	ACCUMULATED DEPRECIATION VARIANCE	COMPOSITE REMAINING LIFE	ANNUAL TRUE-UP
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)	(8)=(6)/(7)
	METER STATIONS						
4611	LAND RIGHTS						
	DEPRECIABLE	265,142.31	100,856	67,103	33,753	20.8	1,623
	DEPLETABLE	799,931.61	428,518	285,110	143,408	20.8	6,895
		1,065,073.92	529,374	352,213	177,161		8,517
4630	BUILDINGS						
	DEPRECIABLE	21,005,878.78	10,041,863	4,769,676	5,272,187	19.6	268,989
	DEPLETABLE	50,588,443.14	28,664,984	13,615,271	15,049,713	26.4	570,065
		71,594,321.92	38,706,847	18,384,946	20,321,901		839,054
4631	SITE						
	DEPRECIABLE	7,297,823.57	4,521,147	1,304,156	3,216,991	19.2	167,552
	DEPLETABLE	9,941,379.90	7,669,581	2,212,343	5,457,238	24.6	221,839
		17,239,203.47	12,190,728	3,516,499	8,674,229		389,391
4670	AUTOMATION						
	DEPRECIABLE	16,756,572.91	5,565,219	1,452,826	4,112,393	21.7	189,511
	DEPLETABLE	39,544,868.01	20,266,528	5,290,671	14,975,857	28.2	531,059
		56,301,440.92	25,831,747	6,743,497	19,088,250		720,570
4671	INSTRUMENTATION						
	DEPRECIABLE	24,448,738.02	5,942,362	784,638	5,157,724	23.1	223,278
	DEPLETABLE	36,221,217.59	17,247,213	2,277,347	14,969,866	28.7	521,598
		60,669,955.61	23,189,575	3,061,986	20,127,589		744,876
4672	PIPING						
	DEPRECIABLE	88,557,054.73	41,205,588	23,245,050	17,960,538	19.6	916,354
	DEPLETABLE	129,220,403.18	68,211,056	38,479,476	29,731,580	26.6	1,117,729
		217,777,457.91	109,416,644	61,724,526	47,692,118		2,034,083
4673	ELECTRICAL SYSTEM						
	DEPRECIABLE	14,008,002.76	5,379,105	2,678,548	2,700,557	20.6	131,095
	DEPLETABLE	38,278,464.50	19,177,083	9,549,311	9,627,772	27.6	348,832
		52,286,467.26	24,556,188	12,227,859	12,328,329		479,927
	TOTAL METER STATIONS	476,933,921.01	234,421,103	106,011,527	128,409,576		5,216,418
	COMPRESSOR STATIONS						
4612	LAND RIGHTS	868,287.75	196,218	123,353	72,865	23.4	3,114
4620	BUILDINGS	166,903,893.33	88,528,102	52,808,937	35,719,165	14.6	2,446,518
4621	SITE	46,741,022.11	36,012,433	8,641,244	27,371,189	15.3	1,788,967
4661	COMPRESSOR UNIT	720,377,656.02	304,577,223	231,241,935	73,335,288	13.8	5,314,151
4662	PIPING	414,916,771.88	196,579,923	131,553,787	65,026,136	14.6	4,453,845
4663	INSTRUMENTATION	28,777,806.60	11,728,077	8,991,615	2,736,462	15.7	174,297
4664	ELECTRIC SYSTEM	94,312,300.58	43,029,809	36,794,044	6,235,765	14.5	430,053
4665	CONTROL SYSTEM	42,003,038.93	17,617,238	9,250,462	8,366,776	13.0	643,598
	TOTAL COMPRESSOR STATIONS	1,514,900,777.20	698,269,023	479,405,377	218,863,646		15,254,543
	PIPELINES						
4610	LAND RIGHTS						
	DEPRECIABLE	20,844,708.03	4,421,580	4,722,423	(300,843)	53.3	(5,644)

NOVA GAS TRANSMISSION LTD

TABLE 2 SUMMARY OF CALCULATED ACCRUED DEPRECIATION, BOOKED ACCUMULATED DEPRECIATION
AND CALCUALTION OF ANNUAL TRUE-UP PROVISION AS OF DECEMBER 31, 2002
CG - NGTL - 12(G) **NO TRUNCATION**

ACCOUNT	DESCRIPTION	ORIGINAL COST AT DEMEMBER 31, 2002	CALCULATED ACCRUED DEPRECIATION	BOOKED ACCUMULATED DEPRECIATION	ACCUMULATED DEPRECIATION VARIANCE	COMPOSITE REMAINING LIFE	ANNUAL TRUE-UP
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)	(8)=(6)/(7)
	DEPLETABLE	32,343,339.39	16,422,965	17,540,380	(1,117,415)	26.3	(42,487)
		53,188,047.42	20,844,545	22,262,803	(1,418,258)		(48,132)
4651	PIPE						
	DEPRECIABLE	2,868,851,292.21	652,483,306	701,174,757	(48,691,451)	53.7	(906,731)
	DEPLETABLE	1,700,572,571.72	884,657,151	950,674,534	(66,017,383)	24.5	(2,694,587)
		4,569,423,863.94	1,537,140,457	1,651,849,292	(114,708,835)		(3,601,318)
4652	VALVE ASSEMBLIES						
	DEPRECIABLE	203,188,321.67	47,376,501	39,605,409	7,771,092	46.1	168,570
	DEPLETABLE	92,296,642.96	48,479,065	40,527,121	7,951,944	23.3	341,285
		295,484,964.64	95,855,566	80,132,530	15,723,036		509,855
	TOTAL PIPELINES	4,918,096,876.00	1,653,840,568	1,754,244,625	(100,404,057)		(3,139,594)
	GENERAL PLANT						
4010	INTANGIBLE ASSETS	6,678,074.29	4,725,416	4,647,011	78,405	1.5	52,621
4821	BUILDINGS	82,355,236.48	31,218,304	3,431,703	27,786,601	18.9	1,470,191
4831	OFFICE FURNITURE	27,151,240.22	12,982,064	14,718,566	(1,736,502)	10.5	(165,381)
4832	OFFICE EQUIPMENT	4,418,965.36	2,816,663	5,298,235	(2,481,572)	1.0	(2,481,572)
4834	COMPUTER HARDWARE	56,116,016.47	31,381,778	18,296,062	13,085,716	3.1	4,221,199
4836	COMPUTER SOFTWARE	133,250,039.67	68,151,082	41,046,621	27,104,461	2.3	11,784,548
4841	VEHICLES AND TRAILERS	28,430,669.56	14,585,435	14,134,405	451,030	2.8	161,082
4850	HEAVY WORK EQUIPMENT	10,157,196.09	4,597,040	7,786,119	(3,189,079)	18.4	(173,320)
4860	TOOLS AND WORK EQUIPMENT	34,093,774.95	5,235,216	17,177,473	(11,942,257)	26.5	(450,651)
4880	MISCELLANEOUS EQUIPMENT	22,557,075.31	4,157,014	4,039,195	117,819	16.3	7,228
	TOTAL GENERAL PLANT	405,208,288.40	179,850,012	130,575,391	49,274,621		14,425,944
	TOTAL PLANT STUDIED	7,315,139,862.61	2,766,380,706	2,470,236,921	296,143,785		31,757,311
	PLANT NOT STUDIED						
4820/4822	LEASEHOLD IMPROVEMENTS	10,340,641.31		(148,056)			
4601	LAND	11,916,063.13		(72,079)			
4602	LAND	-		(472,624)			
4600	LAND	-		519,422			
4800	LAND	-		-			
4810	LAND RIGHTS	626.00		216			
4842	AIRCRAFT	2,596,773.81		1,151,469			
	AFUDC	128,310.33		13,468			
	TOTAL PLANT NOT STUDIED	24,982,414.58		991,816			
	TOTAL NGTL PLANT	7,340,122,277.19		2,471,228,737			

CG-NGTL-013

Reference:

Section 8.6 – Determination of Possible Alternatives to Meet Delivery Service Requirements

Request:

Please provide full details of NGTL's attempts to use the same process discussed in Section 8.6 for other parts of its system in order to further rationalize its facility requirements. If not, please fully explain.

Response:

Please refer to NGTL's December 2002 Annual Plan, Chapter 2, Section 2.9.5.4 that describes the NGTL process for the selection of proposed and alternative facilities for its system.

CG-NGTL-014(a)

Reference:

Section 9.0 – Code of Conduct
Differences Between the ATCO Code of Conduct the NGTL Code of Conduct

Preamble:

At Pages 5 – 14 of Section 9.0, NGTL outlined the major differences between its proposed Code of Conduct and that of ATCO.

Request:

Please confirm that the ATCO Code of Conduct determined by the Board did not exclude the relationships between ATCO's Alberta regulated companies and companies regulated outside of Alberta or by a different regulator. If unable to confirm, please fully explain.

Response:

Confirmed.

CG-NGTL-014(b)

Reference:

Section 9.0 – Code of Conduct
Differences Between the ATCO Code of Conduct the NGTL Code of Conduct

Preamble:

At Pages 5 – 14 of Section 9.0, NGTL outlined the major differences between its proposed Code of Conduct and that of ATCO.

Request:

Please indicate how NGTL would deal with a future situation where NGTL chose to set-up a regulated Affiliate of NGTL that would be regulated by the EUB.

Response:

NGTL's relationship with that of other Board regulated affiliates would be governed by its Board approved Code of Conduct. Also, NGTL expects the other Board regulated company would likely be subject to a similar if not the identical Board approved Code of Conduct that would govern its relationships with NGTL and all of its other affiliates.

CG-NGTL-014(c)

Reference:

Section 9.0 – Code of Conduct
Differences Between the ATCO Code of Conduct the NGTL Code of Conduct

Preamble:

At Pages 5 – 14 of Section 9.0, NGTL outlined the major differences between its proposed Code of Conduct and that of ATCO.

Request:

Re Section 3.1.1, please explain how NGTL's operations are any different than ATCO's operations where some services are provided by ATCO corporate.

Response:

TCPL manages various corporate and operational aspects of its businesses on an integrated basis. For example, TCPL has centralized corporate services, such as human resources, that may provide services to TCPL's regulated and non-regulated businesses. Consequently, NGTL could not meet the requirement in Section 3.1.1 of the ATCO Code that all of the business and affairs of NGTL be managed and conducted separately from non-regulated affiliates.

CG-NGTL-014(d)

Reference:

Section 9.0 – Code of Conduct
Differences Between the ATCO Code of Conduct the NGTL Code of Conduct

Preamble:

At Pages 5 – 14 of Section 9.0, NGTL outlined the major differences between its proposed Code of Conduct and that of ATCO.

Request:

Please comment on whether an appropriate alternative to Section 3.1.4 proposed by NGTL would be for NGTL to keep that section intact and in its place request an exemption from the Board for specific situations as is currently being done by several of the regulated ATCO Affiliates.

Response:

NGTL's proposed Code and Application reflect the exact nature of the exemption that NGTL would request if it were to pursue this alternative approach. NGTL believes that its proposal to incorporate the changes directly into its Code results in a simpler approach that will produce a Code that will be simple and easy to understand and interpret by TCPL employees.

CG-NGTL-014(e)

Reference:

Section 9.0 – Code of Conduct
Differences Between the ATCO Code of Conduct the NGTL Code of Conduct

Preamble:

At Pages 5 – 14 of Section 9.0, NGTL outlined the major differences between its proposed Code of Conduct and that of ATCO.

Request:

Re Section 3.1.5, please comment on why NGTL's and TCPL's operations are so significantly different from ATCO's operations that it requires significant amendments to this section.

Response:

NGTL replaced the terms "Utility" with "NGTL" in Section 3.1.5 of the ATCO Code. This amendment was required because of the differences in the organizational structures of TCPL and the ATCO group of companies, as NGTL explained in the Application, Section 9.0, page 5, line 22 to page 6, line 10.

However, the majority of NGTL's proposed amendments to Section 3.1.5 of the ATCO Code were not precipitated by, or meant to address, differences between the organizational structures of TCPL and the ATCO group of companies. Rather, as NGTL explained in the Application, Section 9.0, page 8, lines 20-24, it was not clear to NGTL whether the determination of the reasonableness of a shared person's actions would be subjectively or objectively determined under the provisions in Section 3.1.5 of the ATCO Code. Accordingly, for clarity NGTL amended Section 3.1.5 to provide that the individual, acting reasonably, shall determine whether acting in a dual capacity could be detrimental to the interests of NGTL's customers. This amendment ensures the standard for determining the reasonableness of an individual's actions is stated clearly.

CG-NGTL-014(f)

Reference:

Section 9.0 – Code of Conduct
Differences Between the ATCO Code of Conduct the NGTL Code of Conduct

Preamble:

At Pages 5 – 14 of Section 9.0, NGTL outlined the major differences between its proposed Code of Conduct and that of ATCO.

Request:

Please comment if NGTL's proposed amendment to Sections 6.3 and 6.4 might potentially violate any of the provisions of PEPIDA.

Response:

NGTL has not assessed whether Sections 6.3 and 6.4 of the Proposed Code might potentially violate any of the provisions of the Personal Information Protection and Electronic Documents Act (s.c, 2000, c.5).