
AUMA/EDM/PICA-NGTL-001(a)

Reference:

Section 1.2, Q/A – 5, lines 16 – 18

Preamble:

NGTL states in Section 1.2, Q/A – 5, lines 16 – 18 that its existing rate design is “...the result of extensive discussions with customers and other stakeholders, which culminated in the 2003 Tariff Settlement. NGTL understands that most of its customers do not desire any changes to the rate design at this time.”

Request:

Please confirm that that the discussions referred to by NGTL and the parties included in those discussions are those described in its 2003 Tariff Application which included the Settlement Agreement. If unable to confirm, please give details of any further discussions that were held with any other stakeholders or customer groups;

Response:

Confirmed.

AUMA/EDM/PICA-NGTL-001(b)

Reference:

Section 1.2, Q/A – 5, lines 16 – 18

Preamble:

NGTL states in Section 1.2, Q/A – 5, lines 16 – 18 that its existing rate design is “...the result of extensive discussions with customers and other stakeholders, which culminated in the 2003 Tariff Settlement. NGTL understands that most of its customers do not desire any changes to the rate design at this time.”

Request:

Please elaborate on NGTL’s “understanding” that “...most of its customers do not desire any changes to the rate design at this time”, including:

- (i) Is the phrase “at this time” intended to convey a time frame subsequent to the time frame of the Settlement Agreement?
- (ii) If the answer to (i) above is yes, please describe the basis for this conclusion including details of any meetings held with the various customers or stakeholders (i.e. CAPP, IGCAA, ATCO Pipelines, ATCO Gas, AUMA, City of Edmonton, City of Calgary, PICA, CCA, etc.);
- (iii) which customers or stakeholders did not agree with NGTL’s conclusion?
- (iv) how NGTL reconciled the differences between each of the customer group’s views on rate design.

Response:

- (i) Please refer to the response to ATCO-NGTL-044(d).
- (ii) Please refer to the response to ATCO-NGTL-044(d).
- (iii) Please refer to the response to BR-NGTL-001.

AUMA/EDM/PICA-NGTL-001(b)

- (iv) As indicated in NGTL's evidence in Section 2.8, page 55, lines 7 through 11, the Tariff Settlement represented a compromise of interests, and as such it is fair to say that the Settlement does not fully satisfy all the interests of all affected parties. However, the Settlement does represent a balance of interests which the Parties to the Settlement and the majority of other stakeholders have accepted.

AUMA/EDM/PICA-NGTL-002

Reference:

Section 2.1, Q/A – 2, lines 18 - 20

Preamble:

NGTL states in Section 2.1, Q/A – 2, lines 18 – 20 that it believes that the “majority of the stakeholders” do want a change in the rate design at this time.

Request:

Please provide details of which stakeholders (the “minority”) or stakeholder groups (receipt, delivery, ex-Alberta, utility, etc.) have asked for or want a change in rate design.

Response:

Please refer to the response to BR-NGTL-001.

AUMA/EDM/PICA-NGTL-003

Reference:

Section 2.2 Development of Existing Rate Design

Preamble:

The CG wishes to better understand the rate design applicable for intra-Alberta deliveries in the five evolutionary phases described in this section.

Request:

For each of the five phases please provide the following:

- (a) A full description of the rate(s) applicable including the billing determinants for delivery to intra-Alberta markets.
- (b) For each applicable intra-Alberta rate, the volumes of gas delivered to intra-Alberta markets and revenues received by NGTL for that service, either explicitly or implicitly, in each year of the period. To the extent data is available; the deliveries to the intra-Alberta market should be subdivided into the same categories currently used by NGTL for intra-Alberta deliveries (i.e producers, industrial, utilities, extraction, storage).
- (c) For each year of each period on an aggregated basis, please provide the volumes of gas and revenues received for export deliveries and compare the average unit revenue received for export deliveries to average unit aggregate revenue received for intra-Alberta deliveries.

Response:

- (a) The requested information cannot be provided with reasonable effort.
- (b) Please refer to the response to ATCO-NGTL-035(a).
- (c) Please refer to the response to IGCAA-NGTL-010(i).

AUMA/EDM/PICA-NGTL-004

Reference:

Section 2.3, Q/A – 6
Description of NGTL’s rate design methodology

Preamble:

NGTL describes its rate design methodology in Section 2.3, Q/A – 6.

Request:

Please provide the revenue/cost ratios for each of the rates described in Section 2.3, Q/A 6.

Response:

The integrated nature of the Alberta System makes it difficult to determine the actual costs of providing particular services. Consequently, it is appropriate to aggregate the costs of facilities and utilize cost allocation methodologies to determine service rates.

The revenue/cost ratio is not relevant for IT-R, FT-RN, IT-D, and STFT rates. By design the rates for these services are based on a percentage of FT-R or FT-D. The percentage reflects a premium over the primary service based on the different service attributes of these services relative to their respective primary service.

In calculating FT-R and FT-D rates, NGTL uses an algorithm that includes all pipes between the receipt points and the major border delivery points. Costs associated with delivery pipes that are not included in this algorithm represent a small portion of NGTL’s revenue requirement. In particular the costs associated with pipe that are not included in this algorithm that can be associated with intra-Alberta, extraction, and storage delivery represent approximately \$14.3 million. These costs are indirectly accounted for in FT-R, FT-P and FT-D rates. The majority of these costs are also accounted for via FCS contracts.

Similarly costs related to meter stations associated with extraction and storage services are recovered from other services. These metering related costs represent approximately \$4.3 million. Again, these costs are also accounted for via FCS contracts. Thus in total,

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approximately \$18.6 million associated with intra-Alberta, storage and extraction, is recovered from other tariff service rates. However, the majority of these costs are also accounted for via FCS contracts. NGTL believes that the FCS accountability is appropriate and these costs are not significant enough to warrant changing the current cost allocation methodologies to account for these costs in FT-A, FT-X or IT-S rates.

The following table demonstrates the impact these costs have on the various service rates. The first and second columns of figures identify each cost component on an absolute dollar and unit volume basis respectively. The remaining columns identify, on a unit basis, the impact to the FT-R, FT-D, FT-A, FT-P and combined FT-R and FT-A rates of changing the cost recovery methodology for each individual cost category that makes up the \$18.6 million.

Only the FT-A rate is outside of 5% of the cost of service. However, FT-A is not the only service that accounts for these costs. One hundred percent of the metering related costs and 83% of the pipe costs associated with intra-Alberta delivery services are accounted for via FCS contracts. NGTL has estimated \$5 million in FCS revenue associated with intra-Alberta delivery stations will be collected for 2004. This FCS revenue is not reflected in the FT-A rate and thus is not included in the revenue to cost ratio analysis for FT-A. Also note that, when FT-R and FT-A services are combined, the revenue/cost ratio is 99%. Costs associated with providing service to intra-Alberta markets are recovered indirectly from the FT-R rate and directly from the FT-A rate. Therefore the revenue to cost ratio of the FT-A rate cannot be analyzed in isolation and must also be analyzed in conjunction with the FCS service and the revenue to cost ratio of the combined FT-R and FT-A service offering.

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Revenue to Cost Analysis

Row	Category	Cost (\$million)	Unit Cost (\$/Mcf)	FT-R (\$/Mcf)	FT-D (\$/Mcf)	FT-A (\$/Mcf)	FT-P (\$/Mcf)	FT-R & FT-A (\$/Mcf)
1	Service Rate ⁽¹⁾			0.1848	0.1848	0.0184	0.2032	0.2032
2	Intra-Alberta Pipe ⁽²⁾⁽³⁾	2.6	0.0055			0.0055		0.0055
3	Intra-Alberta Pipe ⁽³⁾	2.6	0.0003	-0.0003	-0.0003		-0.0003	-0.0003
4	Extraction Pipe ⁽⁴⁾	2.1	0.0003	-0.0003	-0.0003		-0.0003	-0.0003
5	Storage Pipe ⁽⁴⁾	9.6	0.0012	-0.0012	-0.0012		-0.0012	-0.0012
6	Extraction Metering ⁽⁵⁾	0.9	0.0001	-0.0001	-0.0001	-0.0001	-0.0002	-0.0002
7	Storage Metering ⁽⁵⁾	3.4	0.0004	-0.0004	-0.0004	-0.0004	-0.0008	-0.0008
8	Adjusted Service Rate ⁽⁶⁾			0.1825	0.1825	0.0234	0.2004	0.2059
9	Revenue / Cost Ratio ⁽⁷⁾			101%	101%	79%	101%	99%

Notes:

1. Rates are the estimated 2004 rate for each service.
2. Unit cost of the pipe associated with intra-Alberta deliveries that could be included in the FT-A rate if an explicit transmission component was included in the FT-A rate.
3. Unit cost of pipe that is associated with intra-Alberta deliveries that is recovered from the transmission component of the rates of other services. Note that the unit rates are different between rows 2 and 3. In row 2 the costs must be recovered over only intra-Alberta delivery volumes, whereas in row 3 the costs are currently recovered from volumes of other services.
4. Rows 4 and 5 are the same as row 3 except the unit cost is for Extraction pipe, and Storage pipe respectively.
5. Rows 6 and 7 are the unit cost of metering for Extraction and Storage respectively. Note that these costs are recovered from all other services as metering as a component included in all other service rates.
6. Row 8 is the rate for each service adjusted to reflect the reallocation of the \$18.6 million dollars. This represents the actual cost of service.
7. Row 9 is the Revenue to Cost ratio (row 1 divided by row 8) for each service.

AUMA/EDM/PICA-NGTL-005(a)

Reference:

Section 2.3, Q/A – 9, Page 11 of 15, lines 17 – 19
FT-X and IT-S rate design

Preamble:

NGTL states in Section 2.0, Q/A – 9, Page 11 of 15, lines 17 – 19 that the FT-X and IT-S rates are set at zero.

Request:

Please provide details of the costs of providing FT-X service. If there are no cost details available, please explain why these costs have not been determined.

Response:

Please refer to the response to BR-NGTL-007.

AUMA/EDM/PICA-NGTL-005(b)

Reference:

Section 2.3, Q/A – 9, Page 11 of 15, lines 17 – 19
FT-X and IT-S rate design

Preamble:

NGTL states in Section 2.0, Q/A – 9, Page 11 of 15, lines 17 – 19 that the FT-X and IT-S rates are set at zero.

Request:

Please provide details of the cost of providing IT-S service. If there are not cost details available, please explain why these costs have not been determined.

Response:

Please refer to the response to BR-NGTL-007.

AUMA/EDM/PICA-NGTL-005(c)

Reference:

Section 2.3, Q/A – 9, Page 11 of 15, lines 17 – 19
FT-X and IT-S rate design

Preamble:

NGTL states in Section 2.0, Q/A – 9, Page 11 of 15, lines 17 – 19 that the FT-X and IT-S rates are set at zero.

Request:

Please explain which rate principles NGTL has relied on to determine that the appropriate toll for IT-S and FT-X services is 0.

Response:

The rates for extraction and storage services have always been zero and customers prefer to maintain this design. As a result this treatment was continued as part of the 2003 Alberta System Tariff Settlement.

Support for this treatment is primarily based on the following criteria:

- A. Fairness – This is the same rate and methodology that has historically been in place. Customers responsible for the construction of these facilities are responsible for these facilities via FCS contracts.
- B. Practicality, Administrative Simplicity and General Acceptance - Costs associated with these services are relatively small and/or these services are utilized by a large cross-section of customers, and the rate calculation is simple and acceptable to the majority of NGTL's customers and all but a few stakeholders.

AUMA/EDM/PICA-NGTL-006(a)

Reference:

Section 2.3, Q/A – 10, Page 14 of 55, lines 6 – 7
Allocation of General Plant, Working Capital and G&A costs

Preamble:

NGTL states in Section 2.0, Q/A – 10, Page 14 of 55, lines 6 -7 that the general plant, working capital and G&A costs are allocated to the various functions based on the “...most appropriate cost driver that can be identified (e.g., net book value).

Request:

Please explain why net book value is the “most appropriate cost driver”.

Response:

Please refer to the responses to ATCO-NGTL-003(a) and ATCO-NGTL-005(c).

AUMA/EDM/PICA-NGTL-006(b)

Reference:

Section 2.3, Q/A – 10, Page 14 of 55, lines 6 – 7
Allocation of General Plant, Working Capital and G&A costs

Preamble:

NGTL states in Section 2.0, Q/A – 10, Page 14 of 55, lines 6 -7 that the general plant, working capital and G&A costs are allocated to the various functions based on the “...most appropriate cost driver that can be identified (e.g., net book value).

Request:

Please provide details of the other “cost drivers” that NGTL examined and rejected for the allocation of these costs.

Response:

NGTL considered using NBV of the assets performing the functions of transmission, compression and metering as the allocator for all indirect costs. NGTL decided to use different allocators for certain cost items, when such allocators were readily available or obvious, e.g., linepack costs are 100% allocated to transmission.

The cost items that are allocated based on NBV are:

- Calgary Offices
- 54% of Information technology asset and G&A accounts costs
- Cash working capital and unamortized debt issue costs
- Other departments, Corporate, General Expenses, and Other expenses
- 44% of Customer Service G&A costs.

Apart from the 44% of Customer Service G&A costs and the cash working capital and unamortized debt issue costs which have at least some relationship to pipeline assets NBV, there are no cost drivers for NGTL to examine to make the above cost items a direct function of compression, transmission and metering.

AUMA/EDM/PICA-NGTL-006(c)

Reference:

Section 2.3, Q/A – 10, Page 14 of 55, lines 6 – 7
Allocation of General Plant, Working Capital and G&A costs

Preamble:

NGTL states in Section 2.0, Q/A – 10, Page 14 of 55, lines 6 -7 that the general plant, working capital and G&A costs are allocated to the various functions based on the “...most appropriate cost driver that can be identified (e.g., net book value).

Request:

Please provide details of whether the cost allocation methodologies of other Alberta utilities regulated by the AEUB for these costs were examined by NGTL. If the cost allocation methodologies of other Alberta utilities were not examined, please fully explain why not.

Response:

NGTL examined various cost allocation methodologies used by other utilities. However, due to the integrated nature of the Alberta System and the specific services offered by NGTL, a set of allocators suited to the Alberta System was used.

AUMA/EDM/PICA-NGTL-006(d)

Reference:

Section 2.3, Q/A – 10, Page 14 of 55, lines 6 – 7
Allocation of General Plant, Working Capital and G&A costs

Preamble:

NGTL states in Section 2.0, Q/A – 10, Page 14 of 55, lines 6 -7 that the general plant, working capital and G&A costs are allocated to the various functions based on the “...most appropriate cost driver that can be identified (e.g., net book value).

Request:

If not provided in (a), (b) or (c) please explain why gross plant in service or a combination of gross plant in service and net plant in service (dependent on the depreciation method used) would not be the “most appropriate cost driver” for the allocation of depreciation expense.

Response:

The gross plant in service value (book cost) of General Plant items such as Calgary Offices is a determinant of the level of depreciation expenses they incur. Depreciation expenses for those items are available from NGTL’s information systems and are included in the appropriate indirect cost categories.

The difficulty arises in allocating such depreciation expenses to the three functions of compression, transmission and metering. The question, in this specific example of Calgary Offices, becomes: “What is the relationship between the depreciation of office furniture, in NGTL’s Calgary office, and compression, transmission and metering?”

The answer is that there is no direct correlation between such cost items and the three functions. Accordingly, NGTL chose to make the NBV of the pipeline assets that perform those three functions the basis for the allocation of indirect costs such as depreciation in the Calgary Offices account.

Please also refer to the responses to ATCO-NGTL-003(a) and ATCO-NGTL-005(c) for more information on the chosen allocators.

AUMA/EDM/PICA-NGTL-006(e)

Reference:

Section 2.3, Q/A – 10, Page 14 of 55, lines 6 – 7
Allocation of General Plant, Working Capital and G&A costs

Preamble:

NGTL states in Section 2.0, Q/A – 10, Page 14 of 55, lines 6 -7 that the general plant, working capital and G&A costs are allocated to the various functions based on the “...most appropriate cost driver that can be identified (e.g., net book value).

Request:

If not provided in (a), (b) or (c), please explain why the sum of all other costs was not used as an allocation methodology for G&A costs.

Response:

Please refer to the responses to ATCO-NGTL-003(a) and ATCO-NGTL-005(c).

AUMA/EDM/PICA-NGTL-007(a)

Reference:

Section 2.3 Q/A 19, p.20 of 55

Preamble:

The CG wishes to understand the basis of the different treatment of storage and extraction deliveries.

Request:

NGTL states that “customers are not in favor of explicit rates for IT-S or FT-X at this time”. This suggests that customers will be in favor of explicit rates at some future time. Is this a correct interpretation and if so at what future time does NGTL expect explicit rates to be put in place?

Response:

NGTL does not know whether some customers will be in favour of explicit rates in future. NGTL does not agree with this interpretation.

AUMA/EDM/PICA-NGTL-007(b)

Reference:

Section 2.3 Q/A 19, p.20 of 55

Preamble:

The CG wishes to understand the basis of the different treatment of storage and extraction deliveries.

Request:

Please describe the “broad industry benefits” provided by these services that differentiate them from other intra-Alberta services.

Response:

For storage facilities the benefits are associated with the fungibility of gas within the NIT market. These benefits were identified in a resolution supported by NGTL’s Tolls, Tariff and Procedures Committee, filed with the EUB on September 9, 2003 and subsequently approved in Board Order U2003-376 on September 29, 2003:

Recognition of the Uniqueness of Storage

Storage has been recognized as being unique relative to other NGTL facility connections. Its uniqueness can be summarized as follows:

- Storage connections regularly take gas both on and off the system;
- All NGTL Customers (receipt and delivery) benefit from and may use storage. The TTP Storage Task Force believes that connections to storage facilities may avoid or delay future capital expenditures;
- Storage provides intrinsic value, such as increased market liquidity, price-levelling and enhanced system efficiency and integrity; and
- The existence of a unique set of Storage Procedures as well as NGTL’s current IT priority pilot further distinguishes storage on NGTL’s system.

AUMA/EDM/PICA-NGTL-007(b)

For extraction facilities the benefits are primarily associated with the petrochemical industry and the resulting benefits to the province of Alberta. The Board, in Decision 2004-006 issued January 27, 2004, stated the following at pages 20 and 23 respectively:

The Board believes that a cost-effective, energy-efficient, and resource-value-enhancing provincial NGL recovery/supply system is in the public interest.

...the Board believes that maintaining the viability of the straddle plant industry as a whole continues to be in the public interest. The straddle plants were constructed to reprocess large volumes of marketable gas before leaving Alberta. When the petrochemical industry was developed, it relied on the straddle plants to provide the needed feedstock in economic quantities, thus creating added value for Alberta. The producers also benefited from having additional markets for NGL recovery and additional gas markets in the form of shrinkage gas.

AUMA/EDM/PICA-NGTL-007(c)

Reference:

Section 2.3 Q/A 19, p.20 of 55

Preamble:

The CG wishes to understand the basis of the different treatment of storage and extraction deliveries.

Request:

Please confirm if all customers or stakeholders “are not in favor of explicit rates for IT-S or FT-X”. If unable to confirm, please provide details of which customers or types of customers (i.e. receipt, delivery, utility, etc.) are in favor of explicit rates.

Response:

Please refer to the response to BR-NGTL-001.

AUMA/EDM/PICA-NGTL-007(d)

Reference:

Section 2.3 Q/A 19, p.20 of 55

Preamble:

The CG wishes to understand the basis of the different treatment of storage and extraction deliveries.

Request:

Please provide details of the amount of additional “administrative complexity” (i.e. number of additional FTEs etc.) would be incurred if rates, other than zero, were charged for IT-S and FT-X services

Response:

NGTL has not undertaken this analysis as there is no plan to change the rate methodology associated with these services.

The number of transactions associated with these services is significant, and none of NGTL’s revenue and billing systems or processes are currently designed to handle rates or charges associated with these services. As a result modifications and new functionality would be required.

AUMA/EDM/PICA-NGTL-007(e)

Reference:

Section 2.3 Q/A 19, p.20 of 55

Preamble:

The CG wishes to understand the basis of the different treatment of storage and extraction deliveries.

Request:

Please provide details of the “broad industry benefits” associated with the zero rates for IT-S and FT-X services. Compare these benefits to the benefits of charging a cost based toll for these services.

Response:

Please refer to the response to AUMA/EDM/PICA-NGTL-007(b) for a discussion of industry benefits. These benefits arise from the provision of the service and not from the service rate. Through consultations with customers, NGTL understands that customers are not in favour of explicit rates for these services at this time.

AUMA/EDM/PICA-NGTL-008(a)

Reference:

Section 2.3, P. 19 of 55, lines 5-9 and Section 2.0, Table 2.5.3-1, p.40 of 55.

Preamble:

In the above noted reference, NGTL states “The FT-R rate is one of the costs that parties incur in providing gas is recovered indirectly through the price of gas when the gas is sold. The FT-A rate is therefore a reasonable method for collecting the cost of facilities related to intra-Alberta deliveries and is more reflective of cost causation principles than the previous methodology that set the FT-A rate to zero.”

In Table 2.5.3 –1, NGTL provides illustrative rates including what it describes as a “Total Intra-Alberta Rate” resulting from the application of various DOH and COH cost allocation methodologies.

The CG wishes to confirm that its interpretation of how intra-Alberta customers would actually realize the impact of the various cost allocation methodologies described by NGTL is consistent with NGTL’s understanding.

Request:

Please confirm that the only actual “cash” charges paid by intra-Alberta customers to NGTL are the FT-A commodity charge of 1.8 cents/mcf, plus, where applicable at a particular delivery point, a minimum annual volume (MAV) charge arising from throughput being insufficient to meet the MAV threshold. If unable to confirm, please fully explain;

Response:

Not confirmed. In addition to the MAV component of the FCS Charge, there may also be an Extension Annual Volume (EAV) component of the FCS Charge, which can also impact the direct charge an intra-Alberta customer would be required to pay if throughput is insufficient to meet the either of the MAV or EAV commitments.

AUMA/EDM/PICA-NGTL-008(b)

Reference:

Section 2.3, P. 19 of 55, lines 5-9 and Section 2.0, Table 2.5.3-1, p.40 of 55.

Preamble:

In the above noted reference, NGTL states “The FT-R rate is one of the costs that parties incur in providing gas is recovered indirectly through the price of gas when the gas is sold. The FT-A rate is therefore a reasonable method for collecting the cost of facilities related to intra-Alberta deliveries and is more reflective of cost causation principles than the previous methodology that set the FT-A rate to zero.”

In Table 2.5.3 –1, NGTL provides illustrative rates including what it describes as a “Total Intra-Alberta Rate” resulting from the application of various DOH and COH cost allocation methodologies.

The CG wishes to confirm that its interpretation of how intra-Alberta customers would actually realize the impact of the various cost allocation methodologies described by NGTL is consistent with NGTL’s understanding.

Request:

Please confirm that if intra- Alberta customers were to realize the full actual cash impact of the changes in the FT-R rate illustrated in Table 2.5.3-1 that the commodity cost of gas would have to change by the full amount of the FT-R rate change. (eg. the reduction of 11.2 cents/mcf resulting from application of Alternative 2 DOH methodology as compared to Revised Methodology would require a similar 11.2 cents reduction in the commodity price of gas). If unable to confirm, please fully explain;

Response:

Not confirmed. Using the definition of actual “cash” provided in the response to AUMA/EDM/PICA-NGTL-008(a) as the charges paid by intra-Alberta customers to NGTL, the applicable NGTL charges paid by intra-Alberta customers under any of the scenarios provided in Table 2.5.3-1 are still the FT-A commodity charge of 1.8 cents/Mcf plus, where applicable, an FCS Charge resulting from insufficient throughput to meet either of the MAV or EAV thresholds.

AUMA/EDM/PICA-NGTL-008(c)

Reference:

Section 2.3, P. 19 of 55, lines 5-9 and Section 2.0, Table 2.5.3-1, p.40 of 55.

Preamble:

In the above noted reference, NGTL states “The FT-R rate is one of the costs that parties incur in providing gas is recovered indirectly through the price of gas when the gas is sold. The FT-A rate is therefore a reasonable method for collecting the cost of facilities related to intra-Alberta deliveries and is more reflective of cost causation principles than the previous methodology that set the FT-A rate to zero.”

In Table 2.5.3 –1, NGTL provides illustrative rates including what it describes as a “Total Intra-Alberta Rate” resulting from the application of various DOH and COH cost allocation methodologies.

The CG wishes to confirm that its interpretation of how intra-Alberta customers would actually realize the impact of the various cost allocation methodologies described by NGTL is consistent with NGTL’s understanding.

Request:

It is CG’s understanding that it is generally accepted within the industry that the price of gas in Alberta (subject to local conditions on a short term basis) is set on the basis of a netback from the price set in the larger North American market, primarily by NYMEX. Does NGTL agree with this interpretation and is that how NGTL determined that the “Total Intra-Alberta Rate” changed in the opposite direction but by the same amount as the amount of change in the FT-D rate which would be an element of the net back calculation? If not please fully explain what NGTL did assume in terms of calculating the “Total Intra Alberta Rate”.

Response:

This is not how NGTL calculated the impact. NGTL made a simplifying assumption that 100% of the FT-R rate would be indirectly recovered by the receipt shipper in the price of the gas when the gas was sold to ex- or intra-Alberta delivery customers. The FT-R rate is only one cost component taken into consideration so there would not necessarily be a one-to-one relationship between the change in the price of gas and the change in the FT-R rate.

AUMA/EDM/PICA-NGTL-009(a)

Reference:

Section 2.4, Appropriateness of NGTL's Existing Rate Design, Section 2.5.1 – Distance of Haul Alternatives, P.27 of 55 and Table 2.5.3-1, Section 2.8, Appendix A - Distance of Haul Study.

Preamble:

The CG wishes to explore further the implications of Alternative 2.

Request:

Alternative 2 demonstrates that there is a very significant difference in the DOH for extraction deliveries and the average of all other intra-Alberta deliveries. The CG observes from Appendix A that there are also significant differences from the average distance of haul for other specific areas of intra Alberta deliveries.

In terms of the rate making principle of Fairness and Equity which NGTL discusses in Section 2.4, please explain how it is fair to not endeavor to recognize, in general, in intra-Alberta delivery rate design, the significant differentials in the primary cost determinant of distance in haul. Please explain in particular how the principle of fairness and equity is met for extraction deliveries which is the most extreme example of differential in distance of haul for intra-Alberta deliveries.

Response:

The rate design is not based solely on one principle. It is based on the balancing of several principles. For simplicity and consistency, NGTL has always combined all intra-Alberta deliveries into one category for the purpose of the DOH calculation. The DOH is only used as a reasonableness check to support setting the transmission component of the FT-R rate equal to the transmission component of the FT-D rate.

AUMA/EDM/PICA-NGTL-009(c)

Reference:

Section 2.4, Appropriateness of NGTL's Existing Rate Design, Section 2.5.1 – Distance of Haul Alternatives, P.27 of 55 and Table 2.5.3-1, Section 2.8, Appendix A - Distance of Haul Study.

Preamble:

The CG wishes to explore further the implications of Alternative 2.

Request:

In Table 2.5.3-1 for Alternative 2, NGTL has interpreted that the appropriate rate design change would be to reduce the FT-R charge by 11.2 cents/mcf and increase the FT-D charge by the same amount.

Please explain why it would not be more appropriate to make a rate change to introduce variability to intra-Alberta delivery charges rather than to change FT-R and FT-D rates.

Response:

NGTL did not make this interpretation. NGTL simply changed the use of the DOH from a reasonableness check in support of setting the transmission component of the FT-R rate equal to the transmission component of the FT-D rate, to explicitly changing the allocation between FT-R and FT-D based on the absolute DOH study results. NGTL believes that the current application of the DOH as a reasonableness check is the appropriate application at this time.

AUMA/EDM/PICA-NGTL-010

Reference:

Section 2.3 , Q/A 8, P. 10 of 55

Preamble:

The CG wishes to explore the possibilities of changes to intra- Alberta rate design that would maintain the integrity of the common price single NIT pool while allowing for variability in intra-Alberta delivery costs.

It is NGTL's evidence that the FT-R charges are absorbed in the price of gas. As long as there is a single NIT pool at a single price, all purchasers from that pool which includes intra-Alberta users will not be paying any differential that reflects different distances of haul.

The CG believes that NGTL could introduce variability into intra-Alberta delivery rates by charging a surcharge to the FT-A rate for those intra-Alberta deliveries that have higher than average DOH and provide a credit to those intra-Alberta deliveries that have a lower than average DOH.

In the same manner that receipt charges are varied, with ceilings and floors, but in aggregate recover 50% of total transmission costs, the principle for variation of delivery charges would be that the average aggregate charge would still be 1.8 cents/mcf and NGTL would be kept whole.

Request:

Please confirm that such a methodology would be consistent with existing methodology for variation of receipt charges and that it would address rate principles of fairness and equity. If unable to confirm, or if there are other reasons which NGTL believes would not support this methodology, please explain.

Response:

Not confirmed. The FT-A rate represents the cost to meter gas. The metering cost is the same for all services and all customers. Developing a new methodology that would result in minimal variation (the minimum rate must be greater than zero and the average must remain 1.8 cents/Mcf) would not be appropriate.

AUMA/EDM/PICA-NGTL-011(a)

Reference:

Section 4.0 Evaluation of Fuel Policy.

Preamble:

CG wishes to better understand the NGTL position on fuel.

Request:

Please confirm that the provision of 100% fuel in kind by suppliers at receipt points is in effect a cost borne by the supplier in the same manner that FT-R charges are borne by suppliers. If unable to confirm, please fully explain.

Response:

Not confirmed. FT-R charges are a cash payment whereas fuel is supplied in-kind.

AUMA/EDM/PICA-NGTL-011(b)

Reference:

Section 4.0 Evaluation of Fuel Policy.

Preamble:

CG wishes to better understand the NGTL position on fuel.

Request:

Please confirm that the provision of 100% fuel by suppliers at receipt points is inconsistent with the general principle of maintaining a 50/50 balance between receipt and delivery costs. If unable to confirm, please fully explain;

Response:

Not confirmed. The rate design sets the transmission related cost component of the FT-R rate equal to the transmission related cost component of the FT-D rate. NGTL's rates are designed to recover NGTL's cost of service as defined by its revenue requirement. Fuel is supplied in-kind by receipt shippers and thus is not part of the revenue requirement. As a result the costs associated with fuel are not considered in NGTL's rate design. The split of the costs associated with fuel is determined in the market between buyers (delivery) and sellers (receipt).

AUMA/EDM/PICA-NGTL-011(c)

Reference:

Section 4.0 Evaluation of Fuel Policy.

Preamble:

CG wishes to better understand the NGTL position on fuel.

Request:

Please provide the historical percent volume of fuel requirements by month on NGTL for the period 1998 to 2003 inclusive and a forecast volume for the next five years, or for whatever period of time a forecast is available.

Response:

The table set out below provides historical monthly usage rates for 1998 – 2003. Annual usage rates for 2005 - 2008 are presented in the second table below.

Month	1998	1999	2000	2001	2002	2003¹	2004²
Jan	1.22%	1.38%	1.24%	1.15%	1.07%	0.89%	0.87%
Feb	1.38%	1.25%	1.11%	1.10%	1.11%	0.95%	0.93%
Mar	1.35%	1.29%	1.14%	1.09%	1.08%	0.87%	0.85%
April	1.38%	1.43%	1.16%	1.06%	1.05%	0.83%	0.81%
May	1.33%	1.51%	1.15%	1.08%	1.24%	0.85%	0.83%
June	1.34%	1.46%	1.26%	1.12%	1.07%	0.96%	0.95%
July	1.40%	1.42%	1.25%	1.13%	1.44%	0.88%	0.87%
Aug	1.31%	1.48%	1.19%	1.08%	0.99%	0.81%	0.80%
Sept	1.39%	1.41%	1.20%	1.05%	1.00%	0.89%	0.88%
Oct	1.34%	1.51%	1.26%	1.08%	0.92%	0.76%	0.75%
Nov	1.42%	1.31%	1.19%	0.99%	0.92%	0.75%	0.74%
Dec	1.34%	1.29%	1.12%	0.94%	0.90%	1.00%	0.99%
Annual	1.35%	1.40%	1.19%	1.07%	1.07%	0.87%	0.85%

1. All monthly usage rates in 2003 are actual rates, except for December, which remains an estimated usage rate.
2. Monthly usage rates for 2004 are forecast values.

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Year	2005	2006	2007	2008
Usage Rate	0.85%	0.85%	0.85%	0.85%
Usage Volume (MMcf/d @ 14.65 psia)	93.7	95.5	98.0	101.3

Usage rates for 2005 – 2008 have been re-forecast based on the February 2004 Update. The usage volume has been determined by multiplying the forecast total Alberta System gross receipts by the re-forecasted usage rate.