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December 1, 2004

Alberta Energy and Utilities Board
640 – 5th Avenue S.W.
Calgary, Alberta
T2P 3G4

Filed Electronically

Attention: Mr. Wade Vienneau
Manager – Calgary Office, Utilities Branch

Dear Sir:

**Re: NOVA Gas Transmission Ltd. (NGTL)
Tolls, Tariff, Facilities and Procedures Committee (TTFP)
Resolution T2004-03 – Carbon Dioxide (CO₂) Management Service Price Review
Informational Filing**

A provision of the CO₂ Management Service (the Service) application, approved by the Alberta Energy and Utilities Board (Board) in Decision 2002-084, stipulated that NGTL initiate a review of the Service to evaluate the appropriateness of the rates and rate calculation methodology prior to establishing rates for the sixth year of the Service. This review would have normally taken place in 2007 with any changes effective January 1, 2008. However, the TTFP adopted Issue T2004-03 on May 20, 2004 for the purpose of reviewing the pricing of the Service.

On May 20, 2004, NGTL requested Board approval to commence negotiations on Issue T2004-03 in accordance with Board Informational Letter IL 98-4 Revised Negotiated Settlement Guidelines (*Revised Guidelines*) and the Board's letter dated August 28, 2003 regarding the application of the *Revised Guidelines* to NGTL. The Board approved NGTL's request on June 15, 2004.

Based on its review of the Service, the TTFP determined that no changes are required to the pricing of the Service at this time. The TTFP supported this recommendation through an unopposed vote on Resolution T2004-03 on October 13, 2004. Attached to this letter is a copy of Resolution T2004-03.

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Mr. W. Vienneau

NGTL is notifying its shippers and members of the TTFP of the availability of this letter on TransCanada's Alberta System website at:

http://www.transcanada.com/Alberta/regulatory_info/active_rates_services_filings.html.

Please direct all notices and communications regarding this matter to Carolyn Shaw by e-mail at carolyn_shaw@transcanada.com and alberta_system@transcanada.com, or by phone at 920-7172.

Yours truly,

NOVA Gas Transmission Ltd.

A wholly owned subsidiary of TransCanada PipeLines Limited



Céline Bélanger

Vice President, Regulatory Services

Attachment

cc: Tolls, Tariff, Facilities and Procedures Committee
Alberta System Shippers

Tolls, Tariff, Facilities & Procedures Committee

Resolution

T2004-03: CO₂ Management Service Price Review

Resolution

The Tolls, Tariff, Facilities & Procedures Committee (TTFP) agrees that no change is required at this time to the Service Cap and pricing for excess CO₂ under the existing CO₂ Management Service (the Service).

Background

In Decision 2002-084, the Alberta Energy & Utilities Board (EUB) approved the Service after an unopposed vote on July 26, 2002 by the Tolls, Tariff & Procedures Committee (predecessor to the TTFP).

This Service continues to provide broad industry benefits by:

1. Providing producers an alternative to installing CO₂ removal equipment upstream of receipt points. There are over 300 NGTL CO₂ service contracts at some 100 receipt points.
2. Ensuring revenue being generated is greater than costs. It has provided approximately \$15 million in 2003 and \$13 million in 2004 net after costs.
3. The receipt point CO₂ level greater than 2% has been significantly reduced which has contributed to an overall reduction in system CO₂ levels. In July 2004, the level of excess CO₂ at receipt points was at 106.6 10³M³/day compared to 386 10³M³/day before the Service, and the overall system CO₂ level is 0.78% compared to 0.93% before the Service.
4. The overall pipeline system integrity has been maintained. Water content has been reduced at the receipt points subscribing to the Service and no CO₂ corrosion has been detected within the system.

The Service application has a provision to review the price five years after implementation. That review would normally take place in 2007 to be effective on January 1, 2008. However, it was thought that a price decrease at this time may enable additional production onto the System. The Service has a provision to reduce the Service Cap from 155 10³M³/day to 125 10³M³/day of excess CO₂ on January 1, 2008.

A review of the Service Cap and price was undertaken by TransCanada, which included input from industry. The recommendation based on this review is to stay with the current Service Cap and pricing proxy. The rationale is that excess CO₂ coming onto the system is expected to be above the current Service Cap by the end of 2006 and that NGTL's rates are competitive.

Next Steps

Remain status quo, no action required. As a Request to Negotiate was made, NGTL will inform the Alberta Energy and Utilities Board that this issue is closed.