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June 13, 2006

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 T2006-04 – CO₂ Service Fees**

NGTL applies to the Alberta Energy and Utilities Board (Board) under Part 4 of the *Gas Utilities Act*, for approval of a change to the methodology for determining the rates for Carbon Dioxide (CO₂) Management Service to include a mid-year review of CO₂ Management Service rates. NGTL also hereby files a revised Table of Rates, Tolls and Charges for the Gas Transportation Tariff (Tariff) with revised CO₂ Management Service rates determined in accordance with the proposed mid-year review of CO₂ Management Service rates. Subject to Board approval of Resolution T2006-04, this amendment to the Tariff will be effective August 1, 2006.

CO₂ Management Service was approved by the Board in Decision 2002-084. The fuel component of the CO₂ Management Service rates is currently calculated annually, based on the forward-looking NYMEX gas price for the upcoming year. The fuel component of the current CO₂ Management Service rates is based on a forecast gas price for 2006 of \$10.808/MMBtu (USD). Since the current CO₂ Management Service rates were determined, forward-looking gas prices have decreased significantly.

Issue T2006-04 was adopted by the TTFP on April 11, 2006 for the purpose of addressing the fuel component of the CO₂ Management Service rates. This resulted in an unopposed vote by the TTFP on Resolution T2006-04 on June 13, 2006, supporting a change to the methodology for determining CO₂ Management Service rates to include a mid-year review. With this proposed

change in methodology, the gas price incorporated in the rates for CO₂ Management Service will be revisited early each May. The review will begin by calculating the three tiers of CO₂ Management Service rates using the forward-looking gas price available in May for the 12 month period beginning in July. If using these rates would result in a +/- 10% or greater change in the CO₂ Management Service rate for at least one tier of CO₂ Management Service, NGTL will file revised CO₂ Management Service rates for all three tiers to reflect the more recent forward-looking gas prices. These new rates would be effective July 1 of that year. This change has no effect on the practice of determining CO₂ Management Service rates for January 1 of each year.

To implement this new methodology, NGTL is filing revised rates for CO₂ Management Service for the remainder of 2006. Given the timing of this initial filing under this new methodology, the forward-looking gas price for the 12 forecast months beginning August 2006 was used for the 2006 mid-year review. This is a reduction from \$10.808/MMBtu to \$8.616/MMBtu (USD), which causes a decrease of more than 10% in the Tier 3 CO₂ Management Service rate from \$390.43/10³m³ to \$344.56/10³m³, so the rates for all three tiers have been revised subject to approval of the new methodology.

A copy of Resolution T2006-04 is attached to this letter. Also attached is an updated Table of Rates Tolls and Charges with revised rates for CO₂ Management Service.

NGTL is notifying its shippers and members of the TTFP of the availability of this filing 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 Alex Harris by e-mail at alex_harris@transcanada.com and alberta_system@transcanada.com, or by phone at (403) 920-6201.

Yours truly,

NOVA Gas Transmission Ltd.

A wholly owned subsidiary of TransCanada PipeLines Limited

Original signed by Norm Bowman

for

Céline Bélanger
Vice President, Regulatory Services

Encls.

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

Attachment 1

TTFP Resolution T2006-04

Tolls, Tariff, Facilities & Procedures Committee

Resolution T2006-04: CO₂ Service Fees

Resolution

The Tolls, Tariff, Facilities & Procedures Committee (TTFP) agrees to a mid-year review of the fuel gas component of the CO₂ Management Service (the Service) rate. Should the fuel gas component cause the Service rate to change by +/- 10% or more from the rate posted on January 1, TransCanada will file an amended Service rate with the Alberta Energy & Utilities Board (EUB) to be effective on July 1st of each year.

Background

In Decision 2002-084, the Alberta EUB approved a CO₂ Management Service after an unopposed vote on July 26, 2002 by the Tolls, Tariff & Procedures Committee (the predecessor to the TTFP). The Service charges a toll for deliveries of gas into the NGTL System with CO₂ concentrations in excess of 2% and continues to provide broad industry benefits by:

1. Providing producers an alternative to installing CO₂ removal equipment. There are over 350 CO₂ contracts at some 119 receipt points.
2. Ensuring revenue being generated is greater than costs. It has provided approximately \$15 million in 2003, \$13 million in 2004, and \$17 million in 2005 net after costs.
3. The CO₂ level greater than 2% has been significantly reduced which has contributed to an overall reduction in system CO₂ levels. In February of 2006 the level of excess CO₂ is at 135 10³m³/d compared to 386 10³m³/d before the Service and the overall CO₂ level is 0.82% compared to 0.93% before the Service.
4. The overall 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 after five years of implementation (effective January 1, 2008). The Service rate is based on a proxy of the unit cost of constructing and operating typical amine extraction facilities, to put producers who make their own arrangements on equitable footing with those who utilize the Service. The rate is comprised of 2 parts; an owning and operating component and a fuel component. The fuel component is based on the NYMEX forward-looking gas price for the next calendar year. The 2006 NYMEX test year average price used to calculate the fuel component was \$10.808/MMBtu (USD); an increase of 50% over 2005.

A review of the fuel component of the rate will be undertaken on a mid-year basis and adjusted only if it causes the Service rate to change by +/- 10% or more. The current process of setting the Service rate for January 1 of each year will continue regardless of the change to the Service rate. The interim adjustment will aid to more closely align the Service rate with current gas prices, while maintaining rate stability.

Next Steps

TransCanada will file the resolution and the updated CO₂ Management Service rate with the EUB for approval. The new rate will become effective the first of the month following EUB approval.

Attachment 2
Updated Table of Rates, Tolls and Charges

TABLE OF RATES, TOLLS & CHARGES

Service	Rates, Tolls and Charges		
1. Rate Schedule FT-R	Refer to Attachment "1" for applicable FT-R Demand Rate per month & Surcharge for each Receipt Point Average Firm Service Receipt Price (AFSRP) \$141.42/10 ³ m ³		
2. Rate Schedule FT-RN	Refer to Attachment "1" for applicable FT-RN Demand Rate per month & Surcharge for each Receipt Point		
3. Rate Schedule FT-D	FT-D Demand Rate per month (Apr – Oct) \$141.42/10 ³ m ³ FT-D Demand Rate per month (effective November 1, 2006) \$ 3.74/GJ		
4. Rate Schedule STFT	STFT Bid Price. Minimum bid of 100% of FT-D Demand Rate		
5. Rate Schedule FT-DW	FT-DW Bid Price. Minimum bid of 125% of FT-D Demand Rate		
6. Rate Schedule FT-A	FT-A Commodity Rate \$ 0.48/10 ³ m ³		
7. Rate Schedule FT-P	Refer to Attachment "2" for applicable FT-P Demand Rate per month		
8. Rate Schedule LRS	<u>Contract Term</u>	<u>Effective LRS Rate (\$/10³m³/day)</u>	
	1-5 years	9.69	
	6-10 years	8.10	
	15 years	7.26	
	20 years	6.45	
9. Rate Schedule LRS-2	LRS-2 Rate per month \$50,000		
10. Rate Schedule LRS-3	LRS-3 Demand Rate per month (Jan – April) \$196.32/10 ³ m ³ LRS-3 Demand Rate per month (effective May 1, 2006) \$129.55/10 ³ m ³		
11. Rate Schedule IT-R	Refer to Attachment "1" for applicable IT-R Rate & Surcharge for each Receipt Point		
12. Rate Schedule IT-D	IT-D Rate (Apr – Oct) \$ 5.12/10 ³ m ³ IT-D Rate (effective November 1, 2006) \$ 0.1354/GJ		
13. Rate Schedule FCS	The FCS Charge is determined in accordance with Attachment "1" to the applicable Schedule of Service		
14. Rate Schedule PT	<u>Schedule No</u>	<u>PT Rate</u>	<u>PT Gas Rate</u>
	9005-01000-0	\$ 164.91/d	0.0 10 ³ m ³ /d
	9006-01000-0	\$ 15.05/d	1.0 10 ³ m ³ /d
15. Rate Schedule OS	<u>Schedule No.</u>	<u>Charge</u>	
	2003004522-2	\$ 83,333.00 / month	
	2003034359-2	\$ 899.00 / month	
	2004168619-1	\$ 437.50 / month	
	2006222805-2	\$ 8.00 / month	
	2006222973-1	\$ 856.00 / month	
	2006222974-1	\$ 66.00 / month	
	2006223044-1	\$ 171.00 / month	
	2006223045-1	\$ 1,576.00 / month	
	2006223046-1	\$ 294.00 / month	
	2006223047-1	\$ 68.00 / month	
	2006224148-1	\$ 92.00 / month	
	2006224149-1	\$ 536.00 / month	
	2006224337-1	\$ 66.00 / month	
	2006224475-1	\$ 111.00 / month	
	2006224607-1	\$ 3,588.00 / month	
16. Rate Schedule CO ₂	<u>Tier</u>	<u>CO₂ Rate (\$/10³m³)</u>	
	1	674.38 620.40	
	2	532.41 495.37	
	3	390.43 344.56	