


MADE at the City of Calgary, in the Province of Alberta, on 20th day of December 2006.	 ALBERTA ENERGY AND UTILITIES BOARD
NOVA Gas Transmission Ltd. (NGTL) 2007 Interim Rates, Tolls and Charges	Application No.1487942

1 INTRODUCTION

On November 21, 2006, NGTL filed an application with the Alberta Energy and Utilities Board (Board) requesting the approval of interim rates tolls and charges on the Alberta System effective January 1, 2007 (the Application). NGTL is currently operating under 2006 final rates, tolls and charges approved by the Board in Order U2006-086 (2006 Final Rates) issued on March 30, 2006, which are effective until December 31, 2006.

2 PARTICULARS OF THE APPLICATION

The applied for 2007 Interim Rates are based on:

- The 2007 revenue requirement determined in accordance with the 2005-2007 Revenue Requirement Settlement (the Settlement),
- The forecast 2007 contract demand quantities and throughput as filed in the Application, and
- The current rate design approved by the Board in Decision 2006-010.

In addition, NGTL applied for a continuation (Alternate Access Request) of the Alternate Access Pilot Program (AAP Program). The Alternate Access Request is consistent with one part of Application No. 1481123, submitted by Coral Energy Canada Inc., Nexen Marketing, and Tenaska Marketing Canada, a Division of TMV Corp. In that proceeding, on December 4, 2006, the Board directed NGTL to continue the existing AAP Program on an interim basis until the issuance date of the Board decision for Application No. 1481123. As such, the Alternate Access Request was not considered as part of this Application.

In Decision 2005-057, the Board approved the Settlement which provides for the determination of interim and final rates, tolls and charges for the period of 2005-2007. The forecast revenue requirement and forecast of firm transportation contract demand quantity and throughput, provided for within the Settlement, are used in the calculation of interim rates using the approved rate design in place at the time. NGTL submitted that pursuant to the Settlement, it will file for 2007 final rates by March 15, 2007 with the forecast 2007 revenue requirement updated at that time to reflect actual 2006 results.

The 2007 interim rates are based on a revenue requirement of \$1,115.1 million. This is \$35.5 million higher than the 2006 approved revenue requirement. The proposed average interim

rates for FT-R and FT-D services will be \$0.140/mcf and the proposed average 2007 interim export rate will be \$0.280/mcf. These rates are approximately 4.4% higher than the 2006 average annual rates.

In the Notice of the Application, issued on November 28, 2006, the Board requested that any interested parties submit a Statement of Intention to Participate (SIP) with respect to the Application by December 8, 2006, and that NGTL provide any responses necessary to those submissions by December 16, 2006.

Submissions were received from AltaGas Ltd., the Canadian Association of Petroleum Producers (CAPP), the Consumers Coalition of Alberta (CCA), Mr. Russ Duncan, the Export Users Group,¹ the Federation of Alberta Gas Co-ops Ltd. (FGA), Gas Alberta, the Industrial Gas Consumers Association of Alberta (IGCAA), Public Institutional Consumers of Alberta (PICA), and the Office of the Utilities Consumer Advocate (UCA). The only party that objected to the application was Mr. Duncan who requested that the Board approve and establish Transportation By Others (TBO) Service to be provided by NGTL for the gas transportation costs required by AltaGas Utilities Inc. and ATCO Gas for gas delivery to their end users (Alberta TBO).

In response to Mr. Duncan's request, NGTL submitted that Mr. Duncan's objections should be dismissed because he had not demonstrated that the Board's decision on the Application will adversely affect his rights, as he does not hold any service on NGTL, and that similar requests in prior proceedings have been denied. NGTL requested that the Board approve the Application without further process noting that CAPP and IGCAA both supported the application and no other parties raised any objections.

Mr. Duncan submitted a further unsolicited response dated December 13, 2006, providing further clarification on his request, stating that he was requesting TBO service for all Albertans. He further referenced Decision 2005-057 where the Board stated "The Board reminds Mr. Duncan that any application filed with the Board regarding a TBO arrangement with NGTL would be considered and assessed on its merits".² He further noted that it was clear that NGTL has not applied for an Alberta TBO, which was the reason he had submitted the request to the Board.

3 VIEWS OF THE BOARD

The Board recognizes that the proposed interim rates reflect an increase in NGTL's total revenue requirement from 2006 as well as an increase in the FT-R and FT-D rates from the currently approved 2006 rates. The Board notes that 2007 revenue requirement proposed in the Application was determined in accordance with the 2005-2007 Settlement approved by the Board in Decision 2005-057.

In Decision 2005-057, with regard to Mr. Duncan's request for an Alberta TBO, the Board stated "A TBO arrangement between AltaGas and NGTL has not been applied for and does not form

¹ The Export Users Group is comprised of the following companies:
Avista Corporation
Cascade Natural Gas Corporation
Puget Sound Energy Inc.
Northwest Natural Gas Company

² Decision 2005-057 Page 4

part of the Settlement and will therefore not be considered in this process.”³ The Board notes that the Application, consistent with the Settlement, does not contain any request for new TBO contracts, only the costs for those already approved as part of the Settlement. The Board does not consider this type of application to be the appropriate forum to raise this issue. The Board reiterates that it will consider an Alberta TBO application on its merits; however, a Statement of Intention to Participate (SIP) is not an application. If Mr. Duncan wishes to have such a matter considered by the Board, a separate application with appropriate support for an Alberta TBO needs to be submitted to the Board. Therefore, the Board considers that the concerns of Mr. Duncan do not constitute a valid objection to the consideration of the Application.

The, in Decision 2005-099, outlined the factors it considered with respect to interim rates. The Board divided those considerations into quantum and need factors relating to a requested rate increase and into more general public interest considerations.

The Board considers that, in light of the Settlement, NGTL has adequately justified the need for, and quantum of, the proposed interim rates. The Board will now assess the proposed interim rates against the general public interest factors as set out in Decision 2005-099 and listed below.

- Interim rates should promote rate stability and ease rate shock
- Interim adjustments should help to maintain intergenerational equity
- Can interim rate increases be avoided through the use of carrying costs
- Interim rate increases may be required to provide appropriate price signals to customers
- It may be appropriate to apply the interim rider on an across-the-board basis

In its consideration of the above factors the Board recognizes that different weighting to the factors is dependant on the specific circumstances surrounding each application. The Board has considered the above factors in its deliberations.

The rate increase proposed by NGTL represents an approximate 3.3% increase to the currently approved rates. NGTL is operating under the terms of the Settlement and Board approved rate design. NGTL is currently operating under 2006 Final Rates and the Board considers that the proposed interim rates will provide rate stability. The Board notes that there were two submissions supporting the Application, seven submissions that did not object to the application and one objection which has been dismissed earlier in this Order. On this basis it can be generally accepted that the Application is within the public interest.

Therefore, the Board approves NGTL’s 2007 Interim Rates effective January 1, 2007, until NGTL’s 2007 final rates, tolls, and charges are approved by the Board.

4 ORDER

IT IS HEREBY ORDERED THAT:

- (1) The 2007 Interim Rates of NOVA Gas Transmission Ltd., attached as Appendix 1 to this Order, and filed with the Application, are approved and come into effect on January 1, 2007.

END OF DOCUMENT

³ Decision 2005-057, page 4