



File 4200-T001-16
21 June 2002

Ms. Céline Bélanger
Senior Vice President
TransCanada Pipelines Limited
Regulatory Strategy
450 - 1st Street S.W.
Calgary, Alberta
T2P 5H1
Facsimile: (403) 920-2347

TransCanada PipeLines' 2001 and 2002 Fair Return Application

Dear Ms. Bélanger:

Please find attached, in both official languages, a copy of Order TG-3-2002.

Yours truly,

A handwritten signature in black ink, appearing to read "Mantha".

Michel L. Mantha
Secretary

cc: Mr. C. Kemm Yates, Stikeman Elliott, facsimile: (403) 266-9034

Attachment



ORDER TG-3-2002

IN THE MATTER OF *the National Energy Board Act* (the Act) and the regulations made thereunder;

AND IN THE MATTER OF an application filed with the National Energy Board (the Board) under File 4200-T001-16 by TransCanada PipeLines Limited (TransCanada) for certain orders respecting tolls specified in a tariff pursuant to subsection 21 (1) of Part I and Sections 59, 60, 64 and 65 of Part IV of the Act.

BEFORE the Board on 30 May 2002.

WHEREAS, on 13 December 2000, the Board issued Interim Toll Order TGI-4-2000 for interim tolls to be effective 1 January 2001;

AND WHEREAS, on 19 December 2000, the Board rescinded Interim Toll Order TGI-4-2000 and issued Interim Toll Order TGI-6-2000 which set interim tolls effective 1 January 2001 at the level in effect during 2000 pending consideration of interested parties comments on the appropriate level of interim tolls;

AND WHEREAS, on 25 January 2001, after considering parties' comments, the Board issued an amending Interim Toll Order AO-1-TGI-6-2000 which set interim tolls at TransCanada's originally proposed level to be effective 1 February 2001;

AND WHEREAS the Board issued a further amending Interim Toll Order AO-2-TGI-6-2000 (in conjunction with the release of the RH-1-2001 Reasons for Decision in November 2001) which ordered the continuance of interim tolls pending the final disposition of the RH-4-2001 Proceeding;

AND WHEREAS, on 28 March 2002, the Board issued a further amending Interim Toll Order AO-3-TGI-6-2000 which permits TransCanada to charge the currently-approved interim tolls for a period into 2002 pending the final disposition of TransCanada's yet to be filed 2002 Tolls Application;

AND WHEREAS TransCanada filed its 2001 and 2002 Fair Return Application (RH-4-2001) dated 6 June 2001 for:

- a) review and variance of the NEB RH-2-94 Decision and Order TG/TO-1-95 dated 16 March 1995 to allow for the determination of a fair return for TransCanada's Mainline for the years 2001 and 2002;
- b) an order determining the fair return to be included in final tolls to be charged by TransCanada for or in respect of transportation services provided to customers on the Mainline between 1 January 2001 and 31 December 2002;



- c) an order disallowing any existing transportation tolls or portions thereof and fixing final just and reasonable tolls that TransCanada may charge for or in respect of transportation services provided to customers on the Mainline between 1 January 2001 and 31 December 2001;

AND WHEREAS the Board issued Hearing Order RH-4-2001- Directions on Procedure on 26 July 2001 and amended Hearing Order AO-1-RH-4-2001 on 5 October 2001;

AND WHEREAS an oral public hearing was held in Calgary, Alberta between 27 February 2002 and 4 April 2002 during which time the Board heard the evidence and argument presented by TransCanada and RH-4-2001 Parties;

AND WHEREAS the Board's decisions on the Fair Return Application are set out in its Reasons for Decision dated June 2002, and in this Order;

AND WHEREAS the Board has considered the evidence and submissions, and has found that the tolls that will result from decisions in RH-4-2001 and this Order are just and reasonable and not unduly discriminatory.

THEREFORE, IT IS ORDERED, pursuant to Part I and Part IV of the Act, that:

1. TransCanada's rate of return on common equity shall continue to be based on the RH-2-94 Formula methodology.
2. The Board approves an increase in the Mainline's deemed common equity ratio from 30% to 33%.
3. The Board approves a percentage of debt in the Mainline's deemed capital structure of 67%. The Board also approves a cost of funded debt and pre-funded debt of 8.97% for 2001.
4. The effective date for reflecting all changes in cost of capital for rate-making purposes will be 1 January 2001.
5. Any variance between the approved 2001 Revenue Requirement and the amounts collected pursuant to interim tolls shall be deferred and disposed of in future tolls.
6. TransCanada shall forthwith prepare and submit to the Board for approval, revised schedules and final toll calculations for the 2001 Test Year based on the RH-1-2001 and RH-4-2001 Decisions.

NATIONAL ENERGY BOARD



Michel L. Mantha
Secretary

TG-3-2002