National Energy Board

Office national de l'énergie

Reasons for Decision

Westcoast Energy Inc.

Toll Settlement 2004 and 2005

RH-1-2004

August 2004

Tolls

Canada

National Energy Board

Reasons for Decision

In the Matter of

Westcoast Energy Inc.

Toll Settlement
2004 and 2005

RH-1-2004

August 2004

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Chapter 1

Background and Application

On 1 December 2003, Westcoast Energy Inc., carrying on business as Duke Energy Gas Transmission Canada (Westcoast), applied under Part IV of the *National Energy Board Act* (the Act) for approval of interim and final transmission tolls to be in effect for a 12-month period commencing 1 January 2004. The applied-for tolls were based on the existing toll design methodology. Westcoast indicated that it intended to engage in discussions with its stakeholders in an attempt to reach a negotiated settlement and would update the Board early in the new year.

The Board issued interim toll Order TGI-6-2003 on 12 December 2003, which provided that the final tolls for 2003 would apply on an interim basis effective 1 January 2004. These tolls, however, were approved subject to reconsideration following receipt of comments from interested parties. On 22 January 2004, following consideration of comments submitted, the Board decided that interim toll Order TGI-6-2003 remained appropriate.

On 23 December 2003, the Board issued a letter indicating its intention to hold a pre-hearing conference, led by Board staff, to discuss which issues needed to be addressed in order to dispose of the application and the appropriate process and timing to deal with the issues. The Board issued Hearing Order RH-1-2004 on 23 January 2004 which set down Westcoast's application for an oral public hearing commencing 17 May 2004, established the timetable of events and the preliminary list of issues, and indicated that a pre-hearing conference would take place on 29 January 2004. The list of issues for the hearing was one of the matters discussed at the Pre-Hearing Conference.

The Board issued its Report summarizing the outcome of the Pre-Hearing Conference on 4 February 2004; see Appendix II for a reproduction of the Report. As a result of the Conference, certain items on the List of Issues were clarified, three new issues were added, and the timetable of events was slightly modified. To give effect to these changes, the Board issued amending Order AO-1-RH-1-2004. See Appendix III for the amended List of Issues.

Further, at the Pre-Hearing Conference, the participants agreed that certain concerns surrounding Firm Service as well as the matter of the Fort Nelson Fuel Adjustment would be referred to Westcoast's Toll and Tariff Task Force (the Task Force). Failing resolution, the Firm Service issues would be dealt with in the hearing while the Fort Nelson Fuel Adjustment would be dealt with in a separate written process.

On 19 February 2004, Westcoast filed a revised application that updated the 2003 and 2004 Cost of Service and Rate Base information contained in its 1 December 2003 filing, to reflect actual results for 2003 and a revised 2004 forecast, which incorporated the impact of the 2003/2004 reorganization. In addition, on 15 March 2004, Westcoast filed a revised depreciation schedule and revised toll calculations.

Westcoast filed a letter with the Board on 1 April 2004, indicating that it had reached an agreement in principle on the terms of a transmission toll settlement covering a two-year period commencing on 1 January 2004 with the Canadian Association of Petroleum Producers, Terasen Gas Inc., the Export Users Group, the Natural Gas Steering Committee (NGSC), British Columbia Hydro and Power Authority and Powerex Corp., Epcor Power Development Corporation and Unocal Canada Limited. Westcoast requested that the RH-1-2004 timetable of events be suspended pending the filing of an application to seek approval of a settlement. This request was granted by the Board by letter dated 2 April 2004.

On 30 June 2004, Westcoast filed an amended application for approval of a settlement entered into on 25 June 2004 under which Westcoast and the parties listed above as well as Avista Energy Canada, agreed on the tolls to be charged by Westcoast for mainline transmission services in Zones 3 and 4 for the 12 month period commencing on 1 January 2004. The parties also agreed to the methodology for fixing tolls for the 12 month period commencing on 1 January 2005 and certain other matters, including depreciation rates, revenue sharing and service enhancements. Westcoast indicated that the parties to the Settlement represent, directly or indirectly, virtually all of its shippers, gas producers and end-use markets.

On 5 July 2004, in accordance with the Board's *Revised Guidelines for Negotiated Settlements of Traffic, Tolls and Tariffs* dated 12 June 2002 (the Guidelines), the Board solicited comments from interested parties and invited reply comments from Westcoast. On 16 July 2004, CAPP submitted comments expressing its support for the Settlement. On 26 July 2004, Westcoast submitted reply comments stating that it is not aware of any opposition to the Settlement and requested that the Board approve the Settlement pursuant to the Guidelines.

Chapter 2

Toll Settlement

Terms of the Settlement

The agreement between Westcoast and the parties to the Settlement has been reproduced in its entirety in Appendix IV.

The principal terms of the Settlement tolls are as follows:

- The Settlement provides for final tolls for 2004 and a methodology for determining 2005 tolls.
- The tolls for 2004 are based on an agreed revenue requirement (excluding motor fuel taxes) of $242,922,000.
- The tolls for 2005 are based on an estimated revenue requirement of $257,670,000 to be adjusted at the beginning of 2005 to account for, among other things, any variances in forecasts for 2004 for pipeline integrity costs, NEB cost recovery expense, property taxes, swing gas costs, discretionary revenue and contract demand allocation units.

  There will also be adjustments to the 2005 revenue requirement for the impacts associated with variances in the forecasts of pipeline integrity capital, compressor replacement capital, expansion capital and shipper requested capital.
- The provisions for discretionary revenue sharing have also been modified. All revenue collected by Westcoast from interruptible and short term service in Zone 3 will be for the account of Westcoast's shippers. New services, if any, and the treatment of the associated costs and revenue will be subject to approval of the Westcoast's Toll and Tariff Task Force.
- The overall composite depreciation rate is 2.95% for both 2004 and 2005, compared with the existing overall composite depreciation rate of 2.625%.
- The capital structure reflects a common equity ratio of 31% for both 2004 and 2005, compared with the existing ratio of 30% for the transmission function. The cost of equity is to be set according to the Board's March 1995 RH-2-94 Multi-Pipeline Cost of Capital Decision and the cost of debt, according to the existing Board approved methodology for Westcoast.
- The Capital Cost Allowance in the Settlement is calculated on an undepreciated capital cost which has not been adjusted between the gathering and processing zones and the transmission zones as was proposed in the original application. Further, Westcoast has agreed not to pursue this matter in the future, whether in a proceeding or other forum.

- The Parties agreed to a number of service enhancements, including: (1) a measurement improvement program; (2) a capacity marketing electronic bulletin board; (3) a streamlined capacity assignment process; (4) monthly reporting of capacity assignment activity levels; and (5) a late night nominations pilot.

Revised Tolls

In its reply dated 26 July 2004, Westcoast submitted tolls for 2004 that are revised from those included in the Settlement to incorporate the Board's decision of 8 July 2004 with respect to the NGSC's section 21 review application. The NGSC has applied for a review of the Board's 27 November 2003 decision on Westcoast's final 2003 tolls with respect to certain Overhead During Construction income tax adjustments. In the decision granting the review, the Board directed Westcoast to inform the parties to the review of the method it would use to refund amounts resulting from the decision.

On 19 July 2004, Westcoast informed the parties to the Toll Settlement and review application that it intended to refund the required amount, which it determined to total $2.567 million, by a credit to the 2004 revenue requirement established under the Settlement. Westcoast also informed the parties that it would file updated 2004 transmission tolls reflecting the credit after the end of the Board's comment period for the Settlement. The revised 2004 tolls filed on 26 July 2004 are included as Appendix V.

Chapter 3

Views of the Board and Disposition

The Board has considered the acceptability of the proposed Settlement taking into account the criteria set out in the Guidelines.

The Board notes that:

- all parties having an interest in Westcoast's traffic, tolls and tariffs have had an opportunity to participate in the Settlement;
- no provisions of the Settlement appear to be illegal, contrary to the Act or otherwise contrary to the public interest;
- sufficient information has been put on the record in this proceeding for the Board to understand the basis for the Settlement and assess its reasonableness;
- the Settlement was not contested in the Task Force or during the comment period provided by the Board; and
- no party opposed the revised tolls included in Westcoast's letter of 26 July 2004.

The Board finds that the Settlement will provide for tolls that are just and reasonable and not unjustly discriminatory, and therefore approves:

- the Settlement;
- the tolls effective 1 January 2004 attached to Westcoast's letter of 26 July 2004 and the methodology for fixing tolls effective 1 January 2005 as set out in the Settlement;
- the depreciation rates as set out under Appendix C of the Settlement; and
- the deferral accounts for accounting and toll making purposes required to give effect to the Settlement as referred to in Article 4 of the Settlement and disposition of the balances of such deferral accounts from time to time in accordance to the terms of the Settlement.

Attached is Order TG-3-2004 giving effect to the above decisions.

The foregoing, together with Order TG-3-2004 (Appendix I), constitute our Decision and Reasons for Decision on this matter.

Carmen L. Dybwad
Presiding Member

John S. Bulger
Member

Elizabeth Quarshie
Member

Calgary, Alberta
August 2004

Appendix I

Order TG-3-2004

ORDER TG-3-2004

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

IN THE MATTER OF an application by Westcoast Energy Inc., carrying on business as Duke Energy Gas Transmission Canada (Westcoast) dated 30 June 2004 for approval of final tolls commencing 1 January 2004 as modified by Westcoast's letter dated 26 July 2004, a methodology for establishing tolls for 2005 and certain accounting treatments pursuant to Part IV of the Act, filed with the Board under File 4200-W005-16.

BEFORE the Board on 12 August 2004.

WHEREAS Westcoast has been charging tolls on an interim basis as of 1 January 2004 pursuant to Order TGI-6-2003;

AND WHEREAS on 30 June 2004, Westcoast filed an application for an order pursuant to Part IV of the Act for approval of final tolls for mainline transmission services in Zones 3 and 4 for 2004 and for a methodology for establishing tolls for 2005 using the existing toll design for Transportation-North and Transportation-South services (the application) but based on base revenue requirements and adjustments determined in accordance with a settlement (the Settlement) reached on 25 June 2004 with certain parties;

AND WHEREAS Westcoast's application also includes revised depreciation rates; deferral accounts which are required to give effect to the Settlement over the term of the Settlement; and provisions for the disposition of the balances in such deferral accounts from time to time in accordance with the terms of the Settlement;

AND WHEREAS the final tolls for 2004 included in the Settlement were revised by Westcoast's letter dated 26 July 2004 to the Board to reflect the outcome of the Board's decision dated 8 July 2004 relating to a review application by the Natural Gas Steering Committee regarding certain Overhead During Construction income tax adjustments concerning Westcoast;

AND WHEREAS the Board has considered Westcoast's application, including the Settlement, with reference to the Board's *Revised Guidelines for Negotiated Settlements of Traffic, Tolls and Tariffs* dated 12 June 2002;

AND WHEREAS the Board solicited comments from interested parties and it is satisfied that no party opposes the application, including the Settlement;

AND WHEREAS no party has filed comments opposing the revised tolls submitted by Westcoast by letter dated 26 July 2004;

AND WHEREAS the Board is satisfied that Westcoast's revised tolls for 2004 and applied-for tolls for 2005 to be calculated in accordance with the Settlement are just and reasonable;

IT IS ORDERED THAT:

1. Westcoast shall charge the applied-for revised tolls for 2004 and shall calculate the tolls for 2005 in accordance with the Settlement;

2. the depreciation rates set out under Appendix C of the Settlement are approved for the term of the Settlement;

3. Westcoast shall maintain, for accounting and toll making purposes, the deferral accounts referred to in the Settlement and which are required to give effect to the Settlement over the term of the Settlement and dispose of the balances in such deferral accounts from time to time in accordance with the terms of the Settlement; and

4. Order TGI-6-2003, which authorized tolls that Westcoast may charge on an interim basis effective 1 January 2004, is revoked and the tolls authorized thereunder are hereby disallowed.

NATIONAL ENERGY BOARD

(signed by)

Michel L. Mantha

Secretary

Appendix II

National Energy Board Pre-Hearing Conference Report

Westcoast Energy Inc. carrying on business as
Duke Energy Gas Transmission Canada
Application for Transmission Tolls Effective 1 January 2004

Thursday, 29 January 2004
Vancouver

Conference Report

1. Background

Westcoast filed an application for 2004 interim and final tolls on 1 December 2003. By letter dated 23 December 2003, the National Energy Board decided to convene this pre-hearing conference. On 15 January 2004, the Board circulated a list of registrants, an agenda and conference procedures to interested parties. A draft List of Issues and a revised list of registrants were circulated on 20 January 2004.

The Board released Hearing Order RH-1-2004 respecting Westcoast's application for 2004 tolls on 23 January 2004, indicating that an oral public hearing would be convened on 17 May 2004.

2. Purpose of Pre-hearing Conference

The purpose of the conference was to discuss the range of views and inform the Board on the following questions:

- What changes or additions should be made to the List of Issues?
- What types of additional information may be needed for each issue?
- What is the appropriate process to resolve each issue?
- What adjustments, if any, could be considered for the hearing schedule to better accommodate on-going negotiations?

3. Conference Procedures

Conference participants agreed that:

- proceedings would not be transcribed;
- the range of views and rationale would be recorded;
- the views recorded would form the basis for the conference report; and,
- discussions and information shared at the conference would not be confidential.

After a discussion about process issues and the agenda for the day, Westcoast gave a brief oral overview of the application. Some participants then made opening remarks to provide the context for their views.

4. Roles of Board Staff and Participants

At the beginning of the conference, participants' roles were described as follows:

Margery Fowke (NEB) and Karla Reesor (NEB) – Facilitators
Jean-Paul Tourigny (NEB) and Barry Branston (NEB) – Technical resources
Dana Cornea (NEB) and Lauren Bell (NEB) – Recording notes
Louise Niro (NEB) – Logistics support
Other participants - Share views openly with the group and where appropriate, indicate agreement with the views of others. A list of conference attendees is included as Attachment 1.

It was noted that participation in this conference will not preclude any Board staff from involvement in the on-going processing of this application or any future applications arising from the matters discussed during the conference.

5. Discussion

<u>Changes and Additions to the Draft List of Issues</u>

Participants sought clarification that Issues 1, 4 and 5 of the Board's List of Issues would include the following points:

1. The appropriateness of the proposed capital structure.

    - Factors underlying increased business risk
    - Factors potentially mitigating business risk
    - Extent to which Westcoast's costs and service offerings may affect business risk
    - Appropriateness of an imputed capital structure when the applicant is a subsidiary of a large multinational with its own balance sheet
    - Appropriateness of the amount of short-term debt
    - Appropriateness of the return on debt

4. The appropriateness of the proposed level of operating and maintenance expenses.

    - Property taxes

5. The appropriateness of the proposed rate base.

   - Construction work-in-progress amounts - non-expensed portions of customer focused initiatives
   - Appropriateness of continuing to include costs associated with an expansion not used and useful (i.e. T-South)
   - Financing costs associated with construction work-in-progress

It was suggested that the following matters be added to the List of Issues:

6. Fort Nelson Fuel Adjustment

7. Appropriateness of discretionary revenue sharing given 100% cost recovery

8. Appropriateness of Westcoast's Firm Service attributes

   - Separation mechanism between transmission and field services (e.g. imbalance and measurement)
   - Return to monthly billing vs. daily billing
   - Cross-corridor crediting/single T-North corridor
   - Liquid/transparent trading opportunity in northern portion of the system
   - Viable access to storage and late-night nomination availability might help alleviate imbalances
   - Stream-lined capacity assignment mechanism (capacity release) to allow an efficient daily marketplace to make firm capacity available to third parties
   - Rationale for inclusion: the above service attributes could enhance the value of transmission service and therefore help to mitigate Westcoast's business risk

9. Appropriateness of Westcoast's Code of Conduct

   - Examination and update

10. Toll Design

   - Appropriateness of recovering all fixed costs, O&M costs and General & Administrative costs on a volumetric basis on transmission
   - Appropriateness of the interruptible toll design
   - Whether it would be appropriate to have a tracking mechanism for items in deferral accounts – contract demand volumes (use 100% of available capacity as billing determinant or require remaining shippers to pay the costs associated with decontracting capacity)

11. Cost allocation between divisions (transmission and other) and cost allocation of general and administrative shared services between Transmission and Corporate Head Office.

    - May be covered under O&M issue

12. Appropriateness of deferral accounts and the balances therein

13. Appropriateness of property tax forecast

    - Measures Westcoast is taking to bring property taxes down

14. Appropriateness of disproportionate increases in tolls for different services

<u>Additional Information for each Issue</u>

Parties are in the process of developing information requests.

<u>Process for addressing the issues</u>

Two issues were identified for discussion as to whether they should be included on the List of Issues. There was general agreement that all other issues could be addressed at the hearing. These two issues were:

1. Fort Nelson Fuel Adjustment

   - There was general agreement that the issue could be referred back to the TTTF. Failing resolution, the matter should be dealt with in a separate written process.

2. Firm Service Attributes

   - Three of the items noted under the "Firm Service Attributes" issue were proposed to be excluded from the List of Issues. These were:
     - Separation mechanism
     - Storage and late night nominations
     - Stream-lined capacity assignment

Comments on whether the items should be on the hearing List of Issues included the following:

- These complex technical matters do not lend themselves to resolution through a hearing process.
- These matters should not be included as issues unless specific proposals are made to deal with them. The party raising the issue must provide evidence.
- The issues should be included in the hearing if not otherwise resolved.
- The TTTF has been unable to resolve these issues to date. Therefore, some participants would prefer to have them added to the hearing i.e. measurement.

- The inclusion of these issues in the hearing order does not preclude resolution through settlement.
- Intervenors do not have the knowledge of Westcoast's internal operating and computer systems to understand what cost-effective, innovative solutions are possible. It is important to get this information through the information request process as it may lead to resolution.
- These issues have been the subject of discussion before but discussions were terminated without the issues being resolved.

Hearing Schedule

There was general agreement that all Westcoast responses to Information Requests would be due 1 March 2004. All other dates would remain unchanged at this time, including the hearing start date of 17 May 2004.

Hearing Location

Participants were canvassed on the preferred location of the hearing. EUG, EPCOR, NGSC, Terasen, BC Hydro and BC Government preferred Vancouver. Westcoast indicated its preference for the hearing to be held in Calgary. CAPP had no preference for either location.

Appendix III

AO-1-RH-1-2004

Revised 4 February 2004

List of Issues

The Board has identified, but does not limit itself to, the following issues for discussion in this proceeding:

1. The appropriateness of the proposed capital structure.

2. The appropriateness of the proposed depreciation rates, including the reasonableness of the depreciation study.

3. The appropriateness of the proposed level of income tax expenses, including the reasonableness of the proposed adjustment to the undepreciated capital cost balance for the transmission zones.

4. The appropriateness of the proposed level of operating and maintenance expenses.

5. The appropriateness of the proposed rate base.

6. The appropriateness of the proposed toll design, including discretionary revenue sharing.

7. The appropriateness of the Firm Service terms and conditions.

8. The appropriateness of Westcoast's Code of Conduct.

Appendix IV

Amended Application

Duke Energy®
Gas Transmission

DUANE D. RAE
Vice President,
Regulatory, Lands and Business Development
BC Pipeline and Field Services Divisions

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Fifth Avenue Place, East Tower
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June 30, 2004

Filed Electronically
Original by Courier

Mr. M.L. Mantha
Secretary
National Energy Board
444 - 7th Avenue S.W.
Calgary, AB
T2P 0X8

Dear Mr. Mantha:

Re: Westcoast Energy Inc. ("Westcoast")
Amended Application for Approval of a Settlement for 2004 and 2005 Tolls

Westcoast has entered into a settlement agreement (the "Settlement") dated June 25, 2004 under which Westcoast and the parties to the Settlement have agreed on the tolls to be charged by Westcoast for mainline transmission services in Zones 3 and 4 for the 12 month period commencing January 1, 2004 and on the methodology for fixing tolls for the 12 month period commencing January 1, 2005. Accordingly, enclosed for filing with the National Energy Board (the "Board") is an Amended Application for approval of the Settlement and the tolls determined under the Settlement. A copy of the Settlement entitled "Westcoast Energy Inc. 2004/2005 Transmission Toll Settlement" is attached to the Amended Application.

The parties to the Settlement are in the process of signing the Settlement and signatures of 12 of the 15 signatories are attached. The remainder of the signatures will be forwarded to the Board when completed in the next few days.

Yours truly,

Original Signed by

Duane D. Rae

Attachments

cc: Settlement Parties
RH-1-2004 Interested Parties
All Shippers on the Westcoast System
Westcoast's Toll and Tariff Task Force Participants

Westcoast Energy Inc., a Duke Energy company *www.duke-energy.com*

IN THE MATTER OF the National Energy Board Act (the "Act") and the Regulations made thereunder;

- and -

IN THE MATTER OF an Application by Westcoast Energy Inc. (“Westcoast”) dated December 1, 2003 pursuant to Part IV of the Act for approval of interim and final tolls commencing January 1, 2004;

- and -

IN THE MATTER OF an Amended Application by Westcoast dated June 30, 2004 pursuant to Part IV of the Act for approval of final tolls for the 12 month period commencing January 1, 2004 and for approval of a methodology for fixing final tolls for the 12 month period commencing January 1, 2005.

TO: National Energy Board
444 Seventh Avenue S.W.
Calgary, Alberta
T2P 0X8

AMENDED APPLICATION

1. Westcoast, carrying on business as Duke Energy Gas Transmission, is a "company" within the meaning of the Act.

2. Westcoast owns and operates a natural gas pipeline system extending from points in the Yukon Territory, the Northwest Territories, Alberta and British Columbia to a point on the international boundary between Canada and the United States of America near Huntingdon, British Columbia.

3. Westcoast provides shippers on its pipeline system with raw gas transmission service (Zone 1), treatment service (Zone 2) and mainline transmission service (Zones 3 and 4) in respect of natural gas produced in British Columbia, Alberta, the Yukon Territory and the Northwest Territories.

4. Westcoast's tolls for firm and interruptible raw gas transmission and treatment services in Zones 1 and 2 are determined pursuant to the Framework for Light-Handed Regulation dated March 1998 approved by the Board pursuant to Order TG-4-98 dated June 25, 1998.

5. During the period January 1, 2002 to December 31, 2003 Westcoast's tolls for mainline transmission services in Zone 3 and 4 were determined pursuant to the terms of a Toll Settlement approved by the Board pursuant to Order TG-2-2002 dated May 23, 2002.

6. On December 1, 2003 Westcoast applied to the Board for approval of interim and final tolls for mainline transmission services in Zones 3 and 4 for the period commencing January 1, 2004 to December 31, 2004.

7. On December 11, 2003 the Board issued Order TGI-6-2003 directing Westcoast to charge on an interim basis, effective January 1, 2004, the Zone 3 and 4 tolls approved for 2003 by the Board pursuant to Order TG-7-2003.

TOLL SETTLEMENT

8. Westcoast has entered into a settlement agreement (the "Settlement") dated June 25, 2004 with the Canadian Association of Petroleum Producers, Terasen Gas Inc., the Export Users Group (comprised of Avista Corporation, Cascade Natural Gas Corporation, Northwest Natural Gas Company, Portland General Electric Company, Power Resource Managers, LLP and Puget Sound Energy, Inc.), Unocal Canada Limited, the Natural Gas Steering Committee, Avista Energy Canada, Ltd., Expor Power Development Corporation, British Columbia Hydro and Power Authority and Powerex Corp., under which the parties to the Settlement have agreed on the tolls to be charged by Westcoast for mainline transmission services in Zones 3 and 4 for the 12 month period commencing January 1, 2004 and on a methodology for fixing tolls for the 12 month period commencing January 1, 2005, as well as certain other matters which are summarized below. A copy of the Settlement is attached to this Amended Application.

9. The parties to the Settlement represent, directly or indirectly, virtually all of Westcoast's shippers, gas producers and end-use markets.

Summary of the Toll Settlement

10. The Settlement is essentially an agreement on the determination of the revenue requirement (excluding tax on fuel gas consumed in operations which is collected by way of a commodity toll) to be used to set Westcoast's Zone 3 (Transportation North) and Zone 4 (Transportation South) tolls for each of the years 2004 and 2005. The terms of the Settlement require that the Board approve the Settlement in its entirety.

11. Under the Settlement the agreed 2004 revenue requirement is $242,922,000 (excluding motor fuel taxes). A summary of the 2004 revenue requirement is set out in Appendix A to the Settlement.

12. Under the Settlement the agreed 2005 revenue requirement is $257,670,000 (excluding motor fuel taxes), a summary of which is also set out in Appendix A to the Settlement. This amount will be adjusted at the beginning of 2005 (after 2004 actual results are available) prior to setting final tolls for 2005 to account for any variances in forecasts for 2004 pipeline integrity costs (O&M and capital related), NEB cost recovery expense, property taxes, swing gas costs, discretionary revenue and contract demand allocation units. Certain other adjustments with respect to the matters covered by the deferral accounts in Article 4 of the Settlement would also be made if applicable. Westcoast will by December 1, 2004 apply to the Board for approval of interim 2005 transmission tolls

based on a forecast of the tolls for 2005 having regard to the adjustments contemplated by the Settlement.

13. Attached to this Amended Application is a schedule showing the 2004 net demand tolls, interruptible commodity tolls, demand allocation units and demand toll building blocks based on the 2004 revenue requirement of $242,922,000, and the changes from 2003. In calculating the 2004 net demand tolls a credit of $886,000 has been applied to the base revenue requirement for transmission service provided to Alliance Pipeline Ltd. in Zone 3. The existing and applied for demand tolls expressed on a unit basis for 2003, 2004 (final based on the Settlement methodology) and 2005 (forecast based on the Settlement methodology) are as follows:

Unit Demand Tolls

		($/10^{3}m^3/mo)	
	2003	2004 Applied-for	2005 Forecast
Firm Transportation Service - North			
Short Haul	7.67	6.86	7.71
Long Haul	110.50	98.84	111.09
Firm Transportation Service - Southern			
PNG Delivery Point	66.62	68.00	70.90
Inland Delivery Area	164.95	166.90	174.03
Huntingdon Delivery Area	294.37	300.44	313.27
Terasen Kingsvale to Huntingdon	129.42	133.54	139.24

		(cents/Mcf)	
	2003	2004 Applied-for	2005 Forecast
Firm Transportation Service - North			
Short Haul	0.71	0.64	0.72
Long Haul	10.29	9.18	10.35
Firm Transportation Service - Southern			
PNG Delivery Point	6.20	6.32	6.60
Inland Delivery Area	15.36	15.50	16.21
Huntingdon Delivery Area	27.42	27.90	29.18
Terasen Kingsvale to Huntingdon	12.05	12.40	12.97

14. While Westcoast is at risk over the two year term of the Settlement for its forecast of maintenance capital, adjustments to the 2005 revenue requirement will be made with respect to the revenue requirement impacts associated with variances in the forecasts of pipeline integrity capital, compressor replacement capital, expansion capital and shipper requested capital.

15. The Settlement provides for an overall composite depreciation rate of 2.95 percent in 2004 compared to the existing composite rate of 2.625 percent. A tabulation of depreciation rates by rate base section and for general plant is set out in Appendix C to the Settlement. The depreciation expense based on these rates is included in the revenue requirement for 2004 and 2005.

16. The Settlement provides for discretionary revenue sharing of interruptible and short term firm service revenue in Zone 4 as described in Article 6 of the Settlement. All revenue collected by Westcoast from interruptible and short term firm service in Zone 3 will be for the account of Westcoast's shippers. New services, if any, and the treatment of the associated costs and revenue will be subject to approval of the Westcoast Toll and Tariff Task Force (the "TTTF").

17. In addition to the above items related to the calculation of tolls, there are also a number of service enhancements in Zones 3 and 4 that have been agreed to as described in Article 7 of the Settlement. These include (i) a measurement improvement program, (ii) a capacity marketing electronic bulletin board, (iii) a streamlined capacity assignment process, (iv) monthly reporting of capacity assignment levels, and (v) a late night nominations pilot. Further details with respect to these enhancements will be developed and be reviewed with the TTTF prior to implementation.

18. The Settlement provides that tolls will be calculated in accordance with the toll design for Zones 3 and 4 approved by the Board. Westcoast's existing toll design in Zones 3 and 4 incorporates a full fixed/variable rate design by which fixed costs are allocated between Zone 3 - Transportation Service - Northern Long and Short Haul, and Zone 4 - Transportation Southern. Demand tolls for firm service are determined on the basis of the fixed costs by Zone and the sum of the shipper contract demands by Zone. In addition to firm service Westcoast offers interruptible service. The tolls for interruptible winter service (November 1 to March 31) are set at the equivalent of the firm service tolls at a 75 percent load factor and the tolls for interruptible summer service (April 1 to October 31) are set at the equivalent of the firm service toll at a 100 percent load factor.

19. In accordance with the Settlement, Westcoast is applying to the Board for approval to maintain for accounting and toll-making purposes the following cost of service and revenue deferral accounts which are set out in Article 4 of the Settlement:

Cost of Service Deferral Accounts

- Pipeline Integrity Costs (O&M and capital related)
- NEB Cost Recovery Expense
- Property Taxes

- Income Tax Expense and other Taxes
- Swing Gas Costs
- Long and Short-Term Debt Rates
- Compressor Upgrade Program
- Expansion Capital
- Material Asset Divestitures
- Material Changes in Costs
- Shipper Requested Programs

Revenue Deferral Accounts

- Contract Demand allocation units
- Discretionary Revenue

Interest on the deferral balances will be calculated monthly based on Westcoast's rate of return on rate base. The 2004 year-end deferral balances will be amortized in 2005 and the 2005 year end deferral balance will be amortized in 2006 in accordance with the existing methodology.

The Toll Settlement is in the Public Interest

20. In Westcoast's submission the tolls and methodology for fixing tolls under the Settlement are just and reasonable and should be approved by the Board. In Westcoast's submission the Settlement is in the public interest:

    (a) The Settlement was negotiated at arm's length. All parties to the Settlement actively participated in the negotiations and these parties represent, directly or indirectly, virtually all of Westcoast's shippers, gas producers and end-use markets.

    (b) Westcoast has received indications of support for the Settlement from a significant proportion of its mainline transmission shippers.

    (c) The Settlement is consistent with the Board's desire to streamline the regulatory process and, to the extent possible, minimize the degree of oversight and burden associated with regulation of companies under the Board's jurisdiction.

    (d) The Settlement satisfies the criteria for negotiated settlements set out in the Board's Revised Guidelines for Negotiated Settlements of Traffic Tolls and Tariffs dated June 12, 2002.

21. The parties to the Settlement have reviewed and concur with this Amended Application.

WHEREFORE WESTCOAST APPLIES FOR an Order or Orders under Part IV of the National Energy Board Act for:

(a) approval of the Settlement;

(b) approval of the tolls effective January 1, 2004 set out in the schedule attached to this Amended Application, and the methodology for fixing tolls effective January 1, 2005 as set out in the Settlement;

(c) approval of the depreciation rates set out in Appendix C to the Settlement; and

(d) approval to maintain for accounting and toll making purposes the cost of service and revenue deferral accounts set out in Article 4 of the Settlement and which are required to give effect to the Settlement over the term of the Settlement from January 1, 2004 to December 31, 2005 and to dispose of the balances in such deferral accounts from time to time in accordance with the terms of the Settlement.

All of which is respectfully submitted.

DATED June 30, 2004.

WESTCOAST ENERGY INC.

Original Signed by

Duane D. Rae
Vice President,
Regulatory, Lands and Business Development

All notices and communications in connection with this Application should be directed to:

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Westcoast Energy Inc.

2004/2005 Transmission Toll Settlement

WESTCOAST ENERGY INC.

2004/2005 TRANSMISSION TOLL SETTLEMENT

ARTICLE 1
INTRODUCTION

1.1 Negotiated Settlement

Westcoast Energy Inc. ("Westcoast") and the Canadian Association of Petroleum Producers, Terasen Gas Inc., the Export Users Group (comprised of Avista Corporation, Cascade Natural Gas Corporation, Northwest Natural Gas Company, Portland General Electric Company, Power Resource Managers, LLP and Puget Sound Energy, Inc.), Unocal Canada Limited, the Natural Gas Steering Committee, Avista Energy Canada, Ltd., Epcor Power Development Corporation, British Columbia Hydro and Power Authority and Powerex Corp. (collectively the "Stakeholders") have reached this Settlement Agreement (the "Agreement") regarding the determination of Westcoast's tolls for transmission service in Zones 3 and 4 for the period January 1, 2004 to December 31, 2004 and for the period January 1, 2005 to December 31, 2005.

This Agreement is the result of negotiations between Westcoast and the Stakeholders and is entered into on the understanding that no single component of this Agreement is to be construed as representing the position of Westcoast or any of the Stakeholders on the appropriate tolls that would be obtained in the absence of this Agreement. Westcoast and the Stakeholders intend that this Agreement be viewed as a whole, and that no aspect of this Agreement should be considered as acceptable to Westcoast or any of the Stakeholders in isolation from all other aspects of this Agreement.

1.2 Objectives

Westcoast and the Stakeholders intend that this Agreement be interpreted and applied in good faith in a manner consistent with the spirit of the following objectives:

(a) to enhance the viability and competitiveness of the British Columbia natural gas basin by aligning more closely the interests of Westcoast and its shippers through a framework that encourages operating and capital efficiencies;

(b) to provide Westcoast's shippers with toll certainty and stability during the term of this Agreement;

(c) to provide the lowest cost tolls possible without compromising pipeline service, efficiency, reliability, flexibility, utilization, safety or the environment;

(d) to maintain the financial integrity of Westcoast; and

(e) to reduce the resources used by Westcoast, its shippers and the National Energy Board (the "Board") in the traditional regulatory process.

1.3 Disclosure by Westcoast

Westcoast confirms that it has in its 2004 Transmission Toll Application (the "Toll Application") filed with the Board on December 1, 2003, in the Toll Application Update filed with the Board on February 19, 2004, in its responses to information requests from the Board and interested parties with respect to the Toll Application and Toll Application Update, and in its settlement negotiations and discussions with the Stakeholders, provided full and fair disclosure of all relevant financial and accounting information that will or Westcoast reasonably expects may have an impact on Westcoast's revenue requirement in Zones 3 and 4 for 2004 and 2005. The parties recognize that financial and accounting information provided up to the date of this Agreement is based on good faith estimates and forecasts consistent with Westcoast's rate making practices. Westcoast will continue to provide such full and fair disclosure for the remainder of the term of this Agreement. The Stakeholders have relied and will rely in good faith on Westcoast's full and fair disclosure of all such financial and accounting information. Any Stakeholder who subsequently believes that Westcoast has not made such full and fair disclosure of all relevant financial or accounting information, that Westcoast knew or reasonably ought to have known about at the time disclosure should have been made, and such lack of disclosure related to a matter that has an impact of more than $100,000 per year on Westcoast's revenue requirement in Zones 3 and 4 in 2004 or 2005, may raise the matter with the Board and seek appropriate relief, which may include adjustments to the tolls or components of this Agreement.

1.4 Meaning of "Flow-Through"

Westcoast and the Stakeholders agree that the term "flow-through" as used in this Agreement with respect to certain components of Westcoast's revenue requirement means that the cost adjustments, positive or negative, including all associated tax impacts, to the revenue requirement with respect to such components will be to the account of shippers. The revenue requirement impact of any difference between the forecast and actual cost of those components of the revenue requirement to be treated on a flow-through basis will be recorded in the appropriate deferral account as set out in this Agreement and flowed-through to the account of shippers.

1.5 Application for 2006 Tolls

Westcoast agrees to use all commercially reasonable efforts to file, no later than November 1, 2005, a toll application with the Board for approval of tolls in Zone 3 and 4 for the period commencing January 1, 2006.

ARTICLE 2
2004 AND 2005 REVENUE REQUIREMENT

2.1 2004 and 2005 Revenue Requirement

Westcoast's tolls in Zones 3 and 4 will be based on a forecast revenue requirement of $242.922 million (excluding motor fuel taxes) in 2004 and $257.670 million (excluding motor fuel taxes) in 2005 as set out in Appendix A, based on the following and subject to the provisions of this Agreement:

(a) Operating and Maintenance (O&M) Expenses Excluding Pipeline Integrity O&M Expenses

For 2004 the O&M expenses allocated to Zones 3 and 4 will be $43.124 million as set out in Appendix B, excluding pipeline integrity O&M expenses.

For 2005 the O&M expenses allocated to Zones 3 and 4 will be $43.624 million as set out in Appendix B, excluding pipeline integrity O&M expenses.

(b) Pipeline Integrity O&M Expenses

Pipeline integrity O&M expenses will be treated on a flow-through basis. For the purposes of this Agreement, pipeline integrity O&M expenses are those non-capitalized costs with respect to pipeline integrity programs which include, without limitation, programs related to stress corrosion cracking, corrosion and pipeline re-coating necessary to address existing, new or unanticipated pipeline integrity issues.

For 2004 the pipeline integrity O&M expenses allocated to Zones 3 and 4 are forecast to be $12.596 million as set out in Appendix B. The revenue requirement impact of any difference between the forecast and actual pipeline integrity O&M expenses incurred by Westcoast in 2004 will be recorded in the Pipeline Integrity Deferral Account for amortization in 2005.

For 2005 the pipeline integrity O&M expenses allocated to Zones 3 and 4 are forecast to be $12.806 million as set out in Appendix B. The revenue requirement impact of any difference between the forecast and actual pipeline integrity O&M expenses incurred by Westcoast in 2005 will be recorded in the Pipeline Integrity Deferral Account for amortization in 2006.

(c) NEB Cost Recovery Expense

NEB Cost Recovery expense will be treated on a flow-though basis. For 2004 the forecast of NEB Cost Recovery expense included in the revenue requirement is $891,000. For 2005 the forecast of NEB Cost Recovery expense included in the revenue requirement is $882,000. The revenue requirement impact of any difference between the forecast and actual NEB Cost Recovery expense incurred by Westcoast in each of 2004 and 2005 will be recorded in the NEB Cost Recovery Deferral Account for amortization in 2005 and 2006, respectively.

Westcoast will allocate 31.67% of its actual 2004 and 30.70% of its actual 2005 total NEB Cost Recovery expense to Zones 3 and 4 (being, in the case of 2004, the proportion of Westcoast's total actual General and Administrative expenses in 2003 allocated to Zones 3 and 4 in 2003 and, in the case of 2005, the proportion of Westcoast's total forecast General and Administrative expenses in 2004 allocated to Zones 3 and 4 in 2004).

(d) Depreciation

For 2004 and 2005 Westcoast's depreciation expense in Zones 3 and 4 will be determined based on the depreciation rates set out in Appendix C. The 2005 forecast of depreciation expense will be adjusted to reflect the adjustments to the 2005 rate base contemplated by this Agreement.

(e) Amortization

For 2004 and 2005 Westcoast's amortization expense in Zones 3 and 4 will be $3.916 million in each year. Amortization expense includes $7.696 million of 2003/2004 Reorganization Costs being amortized over 24 months commencing January 1, 2004 and ending December 31, 2005.

(f) Property Taxes

Property taxes will be treated on a flow-through basis. For 2004 the forecast of property taxes included in the revenue requirement is $42.403 million. For 2005 the forecast of property taxes included in the revenue requirement is $44.419 million. The revenue requirement impact of any difference between the forecast and actual property tax expense incurred by Westcoast in each of 2004 and 2005 will be recorded in the Property Tax Deferral Account for amortization in 2005 and 2006, respectively.

(g) Motor Fuel Taxes

Motor fuel taxes will be charged and recovered by Westcoast in accordance with the existing methodology.

(h) Income Tax Expense and Other Taxes

For 2004 Westcoast's income tax expense included in the revenue requirement is $9.610 million. For 2005 Westcoast's forecast of income tax expense included in the revenue requirement is $13.592 million. The 2005 forecast will be adjusted to reflect the adjustments to the 2005 rate base contemplated by this Agreement, the rate of return on common equity approved by the Board for 2005, the income tax impacts in 2005 associated with the 2004 deferral account balances that flow-through in 2005, and any other adjustments to the forecast required as a result of this Agreement.

Any changes in Westcoast's tax expense for the 2004 and 2005 tax years resulting from changes in federal or provincial tax regimes including, without limitation:

(i) the introduction of new taxes or the elimination of existing taxes;

(ii) changes in income tax rates, corporate capital tax rates or sales tax rates;

(iii) changes in legislation, regulations, rules, policies, procedures or case law affecting the application or interpretation of tax law, including changes in rules, policies or procedures of the Canada Revenue Agency; or

(iv) reassessments, regardless of whether they are initiated by the competent governmental authority or by Westcoast;

will be treated on a flow-through basis. The revenue requirement impact of any such changes for 2004 and 2005 will be recorded in the Income Tax Deferral Account for amortization in 2005 and 2006, respectively, provided that if any such change occurs after the term of this Agreement then the revenue requirement impact of such change, positive or negative, will flow-through to shippers in the toll year in which such change occurs.

Westcoast will not draw down its booked deferred income taxes in 2004 or 2005.

(i) Undepreciated Capital Cost Allowance

No reduction has been made to Westcoast's undepreciated capital cost allowance ("UCC") balances in Zone 3 and 4 to reflect a reallocation of UCC from Zones 3 and 4 to Zones 1 and 2 as proposed in paragraph 16 of the Toll Application. Westcoast will not propose or support, and each Stakeholder will not propose or support, such adjustment in whole or in part or in any future forum or proceeding.

(j) Swing Gas Costs

Swing gas costs will be treated on a flow-through basis. For each of 2004 and 2005 swing gas costs are forecast to be zero. The revenue requirement impact of any swing gas costs incurred in 2004 or 2005 will be recorded in the Swing Gas Deferral Account for amortization in 2005 and 2006, respectively.

(k) Return on Rate Base

For 2004 and 2005 the deemed capital structure in Zones 3 and 4 will be as follows:

	2004	2005
Common Equity	31.00%	31.00%
Funded Debt	63.57%	64.65%
Unfunded Debt	5.43%	4.35%
	100.00%	100.00%

The rate of return on rate base, including the calculation of the funded debt rate and the unfunded debt rate, will be calculated in accordance with the existing Board approved methodology.

The rate of return on common equity in 2004 and 2005 will be the allowed rate of return on common equity approved by the Board for 2004 and 2005 in accordance with the Board's RH-2-94 Decision. For 2004 this rate is 9.56%. For 2005 the forecast revenue requirement reflects a forecast rate of return on common equity of 9.60% and this rate and the 2005 revenue requirement will be updated to reflect the rate of return on common equity approved by the Board for 2005.

The cost rate for the new long-term debt issue included in the unfunded debt component of the Zones 3 and 4 capital structure in 2004 and in the funded debt component of the Zones 3 and 4 capital structure in 2005 will be deemed to be equal to what the cost rate would be on December 1, 2004 (the date on which this new long-term debt is assumed to be issued) for a new long-term debt issue assuming Westcoast's debt is rated A- (minus) by Standard & Poor's. For each of 2004 and 2005 the forecast revenue requirement reflects a forecast deemed long-term rate of 7.08% for this new long-term debt issue. There is no new long-term debt issue included in the unfunded debt component of the Zones 3 and 4 capital structure in 2005.

The revenue requirement impact associated with any change in the 2004 unfunded debt rate as a result of any difference between the forecast and actual timing, principal amount or deemed long-term rate of the assumed December 1, 2004 new long-term debt issue will be recorded in the Debt Rate Deferral Account for amortization in 2005. The 2005 funded debt rate and the 2005 revenue requirement will be updated to reflect the actual deemed long-term rate for the assumed December 1, 2004 new long-term debt issue.

The cost rate for short-term debt included in the unfunded debt component of the Zones 3 and 4 capital structure in 2004 and 2005 will be equal to Westcoast's actual commercial paper rate each month, provided that if in any month Westcoast does not issue commercial paper then the short-term debt rate for that month will be equal to the average for that month of the yield on 90 day Government of Canada treasury bills for each day of that month as reported by Bloomberg Financial Services, plus 20 basis points. For 2004 the revenue requirement reflects a forecast short-term debt rate of 2.40% and for 2005 the revenue requirement reflects a forecast short-term debt rate of 2.91%. The revenue requirement impact associated with any change in the 2004 or 2005 unfunded debt rate as a result of any difference between the forecast and actual short-term debt rate in each of 2004 and 2005 will be recorded in the Debt Rate Deferral Account for amortization in 2005 and 2006, respectively.

ARTICLE 3
RATE BASE

3.1 Maintenance Capital

The forecast average rate base for 2004 and 2005 includes forecast maintenance capital expenditures (including AFUDC and ODC) of $32.859 million in 2004 and $34.703 million in 2005. The 2004 and 2005 revenue requirement will not be adjusted for any difference between the forecast and actual maintenance capital expenditures.

3.2 Pipeline Integrity Capital

Pipeline integrity capital costs will be treated on a flow-through basis. For purposes of this Agreement, pipeline integrity capital expenditures are those capital expenditures with respect to pipeline integrity programs which include, without limitation, programs related to stress corrosion cracking, corrosion and pipeline re-coating necessary to address existing, new or unanticipated pipeline integrity issues.

The forecast average rate base for 2004 and 2005 includes forecast pipeline integrity capital expenditures (including AFUDC) of $11.502 million ($11.4 million, excluding AFUDC) in 2004 and $16.129 million ($16.0 million, excluding AFUDC) in 2005. The revenue requirement impact of any difference between the forecast and actual pipeline integrity capital expenditures incurred by Westcoast in 2004 and 2005 will be recorded in the Pipeline Integrity Deferral Account for amortization in 2005 and 2006, respectively.

3.3 Update of 2005 Rate Base and Revenue Requirement

The 2005 forecast average rate base and the 2005 revenue requirement will be updated to reflect actual pipeline integrity capital expenditures in 2004, any expansion capital expenditures or shipper requested capital expenditures in 2004, the 2004 year-end deferral balances and a forecast of any expansion capital expenditures or shipper requested capital expenditures in 2005.

3.4 Compressor Upgrade Program

The 2005 forecast capital program includes compressor upgrade capital of $8.0 million (excluding AFUDC) which is recorded in construction work in progress (“CWIP”) in 2005. The revenue requirement impact (primarily the AFUDC interest deduction included in the 2005 income tax calculation) associated with any difference between the forecast and actual capital expenditures related to the compressor upgrade program in 2005 will be recorded in the Compressor Upgrade Deferral Account for amortization in 2006.

3.5 AFUDC Rate

For 2004 the AFUDC rate will be 8.13%. For 2005 the AFUDC rate will be the rate of return on rate base for 2005.

3.6 Expansion Capital

The revenue requirement impact associated with any expansion capital expenditures by Westcoast in 2004 or 2005, and the incremental revenue derived from the utilization of the expansion facilities, will be treated on a flow-through basis and recorded in the Expansion Capital Deferral Account for amortization in 2005 and 2006, respectively.

3.7 Material Asset Divestitures

The revenue requirement impact associated with any Zone 3 or 4 asset divestitures by Westcoast in 2004 or 2005 that have the effect of decreasing net plant in service by an aggregate amount of $5 million or more in either year will be treated on a flow-through basis and recorded in the Material Asset Divestiture Deferral Account for amortization in 2005 and 2006, respectively.

3.8 BOSI and LINK Costs

The project costs incurred by Westcoast for the BOSI and LINK projects allocated to Zones 3 and 4 ($801,000 in the case of the BOSI project and $1,311,000 in the case of the LINK project, in each case including AFUDC to December 31, 2003) remain in CWIP as of the date of this Agreement. Westcoast agrees that it will not seek recovery of any other costs for either the BOSI or LINK projects incurred prior to January 1, 2004, except those specified in the previous sentence and allowing for ODC and AFUDC relating to those amounts. Westcoast and the Stakeholders agree that the issue of the recovery of these costs will be referred to the Westcoast Toll and Tariff Task Force (the "TTTF") for resolution. If the TTTF is unable to resolve this issue to the satisfaction of Westcoast or any Stakeholder then Westcoast or any Stakeholder may apply to the Board for determination of this issue. Following any resolution of this issue by the TTTF or any determination by the Board, Westcoast's tolls in Zones 3 and 4 will be adjusted as necessary to reflect the TTTF's resolution or the Board's decision.

3.9 2002/2003 Southern Mainline Expansion Costs

The remaining project costs incurred by Westcoast in connection with the 2002/2003 Southern Mainline Expansion Project approved by the Board in its GH-1-2002 Reasons for Decision remain in CWIP as of the date of this Agreement. No later than December 31, 2004 Westcoast will make a decision with respect to the completion of the balance of the project and forthwith advise the Stakeholders of that decision. Westcoast may make, and any of the Stakeholders may advocate any position regarding, an application to the Board with respect to the project or the project costs, including an application to permit Westcoast to recover the remaining project costs in its tolls in the event that Westcoast decides not to proceed with the completion of the balance of the project. Following any decision on this matter by the Board Westcoast's tolls in Zones 3 and 4 will be adjusted as necessary to reflect the Board's decision.

ARTICLE 4
DEFERRAL ACCOUNTS

4.1 Deferral Accounts

Westcoast will maintain for accounting and toll-making purposes the cost of service and revenue deferral accounts in 2004 and 2005 set out in sections 4.2 and 4.3. It is the intent of the parties that the year end balance of each deferral account will, together with interest thereon, flow-through to the account of shippers (and thus be reflected in the calculation of the revenue requirement and the final tolls) for 2005 and 2006, respectively, in accordance with the existing methodology, provided that the Stakeholders will not be precluded from reviewing and making submissions to the Board concerning the reasonableness of the year-end balance of any of the deferral accounts set out in sections 4.2 and 4.3. Interest on the deferral balances will be calculated monthly based on Westcoast's rate of return on rate base.

4.2 Cost of Service Deferral Accounts

The cost of service deferral accounts will be as follows:

(a) Pipeline Integrity: This deferral account will record the revenue requirement impact of any difference between forecast and actual pipeline integrity O&M expenses and capital expenditures, as set out in sections 2.1(b) and 3.2.

(b) NEB Cost Recovery: This deferral account will record the revenue requirement impact of any difference between forecast and actual NEB Cost Recovery expense, as set out in section 2.1(c).

(c) Property Taxes: This deferral account will record the revenue requirement impact of any difference between forecast and actual property tax expense, as set out in section 2.1(f).

(d) Income Tax Expense and Other Taxes: This deferral account will record the revenue requirement impact of any changes in Westcoast's tax expense resulting from changes in federal or provincial tax regimes, as set out in section 2.1(h).

(e) Swing Gas Costs: This deferral account will record the revenue requirement impact of any swing gas costs incurred by Westcoast, as described in section 2.1(j).

(f) Debt Rate: This deferral account will record the revenue requirement impact associated with any difference between the forecast and actual long-term and short-term debt rates, as set out in section 2.1(k).

(g) Compressor Upgrade Program: This deferral account will record the revenue requirement impact associated with any difference between the forecast and actual capital expenditures related to the compressor upgrade program in 2005, as set out in section 3.4.

(h) Expansion Capital: This deferral account will record the revenue requirement impact and incremental revenue associated with any expansion capital expenditures, as set out in section 3.6.

(i) Material Asset Divestitures: This deferral account will record the revenue requirement impact associated with any material asset divestitures, as set out in section 3.7.

(j) Material Changes in Costs: This deferral account will record any changes in costs resulting from:

   (i) changes in legislation, regulations or ordinances or the issuance of orders or directives that result in changes to safety, health or environmental requirements, practices or procedures for Westcoast, to the extent that the aggregate costs exceed $100,000 in any year;

   (ii) changes in applicable accounting standards of the Canadian Institute of Chartered Accountants (the "CICA"), if approved by the Board for Westcoast's accounting and toll-making purposes. Westcoast may make, and any of the Stakeholders may oppose, an application to the Board with respect to the changes introduced by CICA Handbook Section 3110 effective January 1, 2004 which establishes standards for the recognition, measurement and disclosure of liabilities for asset retirement obligations and the associated asset retirement costs; or

   (iii) orders or directives issued by a regulatory authority having jurisdiction, including the Board, to the extent that the aggregate costs exceed $100,000 in any year.

(k) Shipper Requested Programs: This deferral account will record the revenue requirement impact (and any incremental revenue) associated with (i) programs implemented or to be implemented by Westcoast that are agreed to by the TTTF, (ii) the service enhancement described in section 7.1, and (iii) any delay in the implementation of the service enhancements described in sections 7.2, 7.3 and 7.4.

4.3 Revenue Deferral Accounts

The revenue deferral accounts will be as follows:

(a) Contract Demand Volumes: This deferral account will record the impact on fixed cost collection resulting from differences between the forecast and actual contract demand volumes, separately for each of Zone 3 and Zone 4, as set out in section 5.4.

(b) Revenue Sharing: This deferral account will record any difference between the shippers' share of the forecast and the shippers' share of the actual revenue from interruptible and short-term firm service credited in calculating the 2004 and 2005 demand tolls, separately for each of Zone 3 and Zone 4, as set out in sections 5.2 and 5.3.

ARTICLE 5
TOLLS

5.1 Toll Design

Westcoast's tolls in Zones 3 and 4 will be calculated in accordance with the toll design approved by the Board for Zones 3 and 4. Westcoast or any Stakeholder may make any toll design proposals for consideration by the TTTF or make toll design applications to the Board.

5.2 2004 Tolls

Westcoast's tolls in Zones 3 and 4 for 2004, as determined pursuant to this Agreement, are set out in Appendix D.

The tolls in Zone 3 for 2004 include a credit of $3.17 million for forecast revenue from interruptible and short-term firm service in Zone 3. The tolls in Zone 4 for 2004 include a credit of $0.68 million for the shippers' share of forecast revenue from interruptible and short-term firm service in 2004. Any difference between the shippers' share of the forecast and the shippers' share of the actual revenue from interruptible and short-term firm service in 2004 in Zones 3 and 4 will be recorded in the Revenue Sharing Deferral Account for amortization in 2005.

5.3 2005 Tolls

Westcoast will by December 1, 2004 apply to the Board for approval of interim tolls for Zones 3 and 4 for 2005 based on a forecast of the tolls for 2005 having regard for the adjustments, including changes in allocation units, contemplated by this Agreement. The application will include sufficient supporting schedules and explanatory information necessary to establish that the tolls have been determined in accordance with this Agreement. Westcoast will consult with and provide the Stakeholders with the opportunity to review and comment on the 2005 toll filing with the intention that Westcoast and the Stakeholders will agree on the filing. The final form of the 2005 toll filing will be at Westcoast's discretion, but any Stakeholder may make submissions to the Board regarding appropriate amendments. In preparing the application Westcoast will also consult with the Stakeholders to determine whether the forecast of 2005 pipeline integrity O&M and capital expenditures, NEB cost recovery expense, property taxes and short-term debt rate should be updated to reflect current information at that time.

Unless Westcoast and the Stakeholders agree otherwise, the 2005 tolls will include a credit of $3.17 million in Zone 3 and $0.68 million in Zone 4 for forecast revenue from interruptible and short-term firm service in Zones 3 and 4, respectively. Any difference between the shippers' share of the forecast and the shippers' share of the actual revenue from interruptible and short-term firm service in 2005 in Zones 3 and 4 will be recorded in the Revenue Sharing Deferral Account for amortization in 2006.

Westcoast will as soon as reasonably practicable after Westcoast's 2004 actual results are available apply to the Board for final 2005 tolls and will make any necessary amendments to the 2005 toll application to reflect the actual 2004 results. Westcoast will consult with and provide the Stakeholders with the opportunity to review and comment on the amendments with the intention that Westcoast and the Stakeholders will agree on the amendments.

5.4 Allocation Units

For 2004 the allocation units used to calculate the tolls set out in Appendix D are the forecast of allocation units in Zones 3 and 4 for 2004 set out in Appendix E. Any variance in Contract Demand revenue in 2004 arising from any difference between the forecast and actual Contract Demand allocation units in Zones 3 and 4 for 2004 will be recorded in the Contract Demand Deferral Account for amortization in 2005.

For 2005 Westcoast will at the time it applies to the Board for approval of 2005 tolls forecast the allocation units in Zones 3 and 4 for 2005. Any variance in Contract Demand revenue in 2005 arising from any difference between the forecast and actual Contract Demand allocation units in Zone 3 and 4 for 2005 will be recorded in the Contract Demand Deferral Account for amortization in 2006.

ARTICLE 6
DISCRETIONARY REVENUE SHARING

6.1 Zone 3

For each of 2004 and 2005, 100% of all revenue collected by Westcoast from interruptible and short-term firm service in Zone 3 will be for the account of Westcoast's Zone 3 shippers.

6.2 Zone 4

The two year settlement period covered by this Agreement will be divided into the following three periods (each a "Contracting Period") for purposes of determining the amount of revenue collected by Westcoast from interruptible and short-term firm service in Zone 4 that will be shared between Westcoast and its Zone 4 shippers:

January 1, 2004 to October 31, 2004

November 1, 2004 to October 31, 2005

November 1, 2005 to December 31, 2005

For each Contracting Period, 100% of all revenue collected by Westcoast from interruptible and short-term firm service in Zone 4 will be for the account of Zone 4 shippers, provided that if in any Contracting Period:

(a) the sum of the revenue collected by Westcoast from interruptible and short-term firm service for each segment of Zone 4 for such Contracting Period (the “Discretionary Revenue Collected”);

(b) is greater than the sum of the revenue available from uncontracted capacity for each segment of Zone 4 for such Contracting Period (the “Uncontracted Capacity Revenue”);

then 75% of the amount by which the Discretionary Revenue Collected for such Contracting Period exceeds the Uncontracted Capacity Revenue for such Contracting Period will be for the account of Zone 4 shippers and 25% of such amount will be for the account of Westcoast. The Uncontracted Capacity Revenue for each segment in each Contracting Period will be equal to the product obtained by multiplying (i) the product obtained by multiplying the applicable firm service toll for that segment by the number of days in such Contracting Period, by (ii) the difference between the “Deemed Capacity” for such segment and the aggregate of the firm service Contract Demands (excluding any short-term firm service) for such segment for such Contracting Period. For purposes of this calculation the Deemed Capacity for each segment will be as follows:

Station 2 to PNG	110 MMcf/d (3120 103m3/d)
Station 2 to Inland Delivery Area	224 MMcf/d (6330 103m3/d)
Station 2 to Huntingdon Delivery Area	1597 MMcf/d (45240 103m3/d)
Kingsvale to Huntingdon Delivery Area	105 MMcf/d (2970 103m3/d)

ARTICLE 7
SERVICE ENHANCEMENTS

7.1 Measurement Improvement Program

Westcoast will make a proposal to the TTTF no later than September 1, 2004 concerning enhancements and reporting requirements with respect to Westcoast’s measurement practices and facilities in Zones 3 and 4. Any increases or decreases in O&M and capital costs or revenue associated with any measurement enhancements agreed to by the TTTF will be recorded in the Shipper Requested Programs Deferral Account. Westcoast will use all commercially reasonable efforts to implement by December 31, 2004 the business process enhancements and project plan agreed to by the TTTF, provided that in the event the TTTF does not approve the enhancements Westcoast or any of the Stakeholders may apply to the Board for approval to implement the enhancements, and Westcoast or any of the Stakeholders may oppose such applications. Where necessary, facilities enhancements will be phased in coincident with plant turnarounds and system outages and may require until December 31, 2006 for full cycle implementation.

7.2 Capacity Marketing Electronic Bulletin Board

Westcoast will introduce a new a web-based Electronic Bulletin Board ("EBB") accessible from within the existing Westcoast Customer Interface to enable shippers to post and market or seek to acquire transmission service in Zones 3 and 4. The EBB will allow shippers interested in marketing or acquiring transmission service to post details concerning the service on the EBB, including information with respect to the type of service available or required, the amount of service available or required, the receipt and delivery locations, the time period over which the service is available or required, contract information and other relevant information concerning the posting such as the expiry date of the posting. Any shipper interested in the posted service will be required to contact and deal directly with the shipper posting the service to negotiate the terms on which the service would be acquired. Prior to implementation, this enhancement will be explained in further detail in a "requirements document" to be prepared by Westcoast and presented to the TTTF no later than December 31, 2004. Westcoast will implement the enhancement agreed to by the TTTF, provided that in the event the TTTF does not approve the enhancement Westcoast or any of the Stakeholders may apply to the Board for approval to implement the enhancement, and Westcoast or any of the Stakeholders may oppose such applications.

This enhancement will be implemented no later than April 1, 2005 and will require an estimated total capital expenditure of $60,000, which has been reflected in the 2005 rate base. The revenue requirement impact associated with any delay in the implementation of this enhancement from April 1, 2005 until the date of actual implementation will be recorded in the Shipper Requested Programs Deferral Account.

7.3 Streamlined Capacity Assignment Process

Westcoast will introduce a new service assignment process to enable shippers to assign firm transmission service in Zones 3 and 4 on a temporary basis (less than one year only) to other shippers. Under this assignment process the shipper assigning the service will retain its obligations to Westcoast with respect to the assigned service under its firm service agreement with Westcoast. The assignee of the service will not be permitted to further assign the service to another shipper. Prior to implementation, this enhancement will be explained in further detail in a "requirements document" to be prepared by Westcoast and presented to the TTTF no later than December 31, 2004. Westcoast will implement the enhancement agreed to by the TTTF, provided that in the event the TTTF does not approve the enhancement Westcoast or any of the Stakeholders may apply to the Board for approval to implement the enhancement, and Westcoast or any of the Stakeholders may oppose such applications.

This enhancement will be implemented no later than April 1, 2005 and will require an estimated total capital expenditure of $260,000, which has been reflected in the 2005 rate base. The revenue requirement impact associated with any delay in the implementation of this enhancement from April 1, 2005 until the date of actual implementation will be recorded in the Shipper Requested Programs Deferral Account.

7.4 Monthly Reporting of Capacity Assignment Activity Levels

Westcoast will introduce a new reporting service to provide shippers with monthly information concerning temporary transmission service assignment activity levels in Zones 3 and 4. The report will contain a list of transactions by service segment, including the amount of service involved and the period over which the services has been assigned, but will not include the names of the shippers involved in the transaction. Prior to implementation, this enhancement will be explained in further detail in a "requirements document" to be prepared by Westcoast and presented to the TTTF no later than December 31, 2004. Westcoast will implement the enhancement agreed to by the TTTF, provided that in the event the TTTF does not approve the enhancement Westcoast or any of the Stakeholders may apply to the Board for approval to implement the enhancement, and Westcoast or any of the Stakeholders may oppose such applications.

This enhancement will be implemented no later than April 1, 2005 and will require an estimated total capital expenditure of $30,000, which has been reflected in the 2005 rate base. The revenue requirement impact associated with any delay in the implementation of this enhancement from April 1, 2005 until the date of actual implementation will be recorded in the Shipper Requested Programs Deferral Account.

7.5 Late Night Nominations Pilot

Westcoast will introduce as a pilot program a new late night nomination service to enable shippers who are Interconnect Operators to make a late night nomination. The purpose of the additional nomination will be to facilitate physical adjustments to delivery nominations to accommodate better OBA management. The requirements of this pilot program are outlined in Appendix F. This enhancement was explained in further detail in a "requirements document" prepared by Westcoast and considered by the TTTF. Westcoast will implement, no later than September 1, 2004, the enhancement agreed to by the TTTF on April 22, 2004.

ARTICLE 8
NEW SERVICES AND PRODUCTS

8.1 New Services and Products

New services and products, if any, proposed by Westcoast or any of the Stakeholders in 2004 and 2005 and the treatment of the associated costs and revenues will be considered by the TTTF prior to implementation. Westcoast will implement those new services and products that are approved by the TTTF. Westcoast or any of the Stakeholders may apply to the Board for approval to implement those new services and products that the TTTF does not approve, and Westcoast or any of the Stakeholders may oppose such applications to the Board.

ARTICLE 9
GENERAL

9.1 Board Approval

This Agreement is subject to Board approval and Westcoast and the Stakeholders agree that this Agreement will terminate if it is not approved in its entirety by the Board. Westcoast and the Stakeholders also acknowledge that all matters respecting Westcoast's tolls, including the tolls under this Agreement and the ultimate adjudication of any disputes which arise out of this Agreement which cannot be resolved by Westcoast and the Stakeholders in accordance with the terms of this Agreement, will be determined by the Board.

9.2 Application to the Board

Westcoast will, as soon as practicable, prepare an application to the Board to give effect to the terms and conditions of this Agreement and to make the required amendments to the Toll Application. Westcoast will consult with and provide the Stakeholders with the opportunity to review and comment on the application with the intention that Westcoast and the Stakeholders will agree on the application prior to filing with the Board. Each of the Stakeholders agrees to actively support or not oppose the application and the approval of this Agreement and the tolls determined under this Agreement by the Board.

9.3 Surveillance Reports and Annual Review

Westcoast will file quarterly and year-end surveillance reports with the Board with respect to Zones 3 and 4 in accordance with the Board's requirements for Group 1 pipeline companies, subject to such modifications as may be agreed to by the TTTF.

In conjunction with the filing of the surveillance reports, Westcoast will also provide a report to the TTTF covering each of the following with respect to Zones 3 and 4:

(a) revenue requirement/cost of service summary, together with an explanation of material variances (quarterly and year-end);

(b) revenue requirement/cost of service summary by Zone 3 and 4 (year-end);

(c) income tax expense (year-end);

(d) status of tax assessments and any reassessments (year-end);

(e) UCC/capital cost allowance (year-end);

(f) long-term debt (year-end);

(g) short-term debt (year-end);

(h) average rate base summary (year-end);

(i) average rate base summary by Zone 3 and 4 (year-end);

(j) Section 58 Applications (quarterly and year-end):

  (i) reference;

  (ii) description;

  (iii) amount;

  (iv) Board approval;

  (v) allocations to G&P and Transmission; and

  (vi) forecast date in service; and

(k) capital expenditures shown on Rate Base page 2.4 of the Toll Application and the equivalent page for 2005 provided by Westcoast to the Stakeholders (year end):

  (i) forecast versus actual costs;

  (ii) material changes in scope and cost of forecast projects;

  (iii) summary of projects deferred and new projects added;

  (iv) explanation of any cost overruns of greater than 10% from original forecast of projects transferred to gas plant in service; and

  (v) designation of each project as either a maintenance, integrity, compressor upgrade or expansion project.

9.4 Audit

If agreed to by the TTTF, an independent compliance audit(s) by a qualified firm of nationally recognized chartered accountants will be conducted at any time up to the end of 2007 with respect to the determination of final tolls under this Agreement for 2004 and 2005. The external costs of the audit(s) will flow-through to the account of shippers. Westcoast will provide the auditors selected to conduct the audit(s) with reasonable access to the source data necessary for the conduct of the audit(s), provided that the auditors will be required to execute and deliver to Westcoast a confidentiality agreement in a form satisfactory to Westcoast pursuant to which the auditors agree to maintain confidential any of the source data identified by Westcoast as confidential.

9.5 Dispute Resolution

In the event of any dispute under this Agreement, including a dispute respecting the determination of tolls and a dispute respecting the application of this Agreement, Westcoast and the Stakeholders will in good faith attempt to resolve the dispute. If a satisfactory resolution cannot be achieved within 30 days, Westcoast or any of the Stakeholders or any shipper may file an application with the Board requesting the Board to adjudicate the matter in dispute. Any such application must also contain a request that the Board deal with the matter in dispute on an expedited basis and may contain a request that tolls be made interim pending the Board's decision with respect to the matter.

9.6 Further Assurances

Westcoast and each of the Stakeholders will do all such further acts and things as may be reasonably necessary to give full effect to the intent and meaning of this Agreement.

9.7 Compliance with Board Orders

Nothing in this Settlement is intended to preclude Westcoast from complying with any directives or orders of the Board applicable to Westcoast, including any matters currently before the Board.

The undersigned hereby agree that the foregoing establishes the basis on which Westcoast's tolls for transmission service in Zones 3 and 4 will be determined for the period January 1, 2004 to December 31, 2004 and the period January 1, 2005 to December 31, 2005.

Dated June 25, 2004

Westcoast Energy Inc.

per: ____________________________________

Canadian Association of Petroleum Producers

per: ____________________________________

Terasen Gas Inc.

per: ____________________________________

Members of the Export Users Group:

Avista Corporation

per: _________________________________

Cascade Natural Gas Corporation

per: _________________________________

Northwest Natural Gas Company

per: _________________________________

Portland General Electric Company

per: ________________________________

Power Resource Managers, LLP

per: ________________________________

Puget Sound Energy, Inc.

per: ________________________________

Unocal Canada Limited

per: ________________________________

Natural Gas Steering Committee

per: ________________________________

Avista Energy Canada, Ltd.

per: ________________________________

Epcor Power Development Corporation

per: ________________________________

British Columbia Hydro and Power Authority

per: ________________________________

Powerex Corp.

per: ________________________________

Appendix A

2004 and 2005 Revenue Requirement

COST OF SERVICE
SUMMARY
($000)

LINE NO.	PARTICULARS	2003 BASE YEAR (A)	ADJUSTMENTS (B)	2004 TEST YEAR (C)	ADJUSTMENTS (D)	2005 TEST YEAR (E)
1	OPERATING AND MAINTENANCE EXPENSES	56,252	(532)	55,720	710	56,430
2	N.E.B COST RECOVERY	750	141	891	(9)	882
3	DEPRECIATION	40,319	8,334	48,653	2,672	51,324
4	AMORTIZATION	(66)	3,982	3,916	-	3,916
5	TAXES OTHER THAN INCOME TAXES	50,383	3,009	53,392	2,015	55,408
6	MISCELLANEOUS OPERATING REVENUE	(143)	-	(143)	-	(143)
7	INCOME TAX EXPENSE	11,697	(2,087)	9,610	3,981	13,592
8	RETURN ON RATE BASE	93,660	(5,685)	87,975	(831)	87,144
9	COST OF SERVICE	252,852	7,163	260,015	8,539	268,554
10	DEFERRALS	4,123	(10,332)	(6,209)	6,209	-
11	REVENUE REQUIREMENT	256,975	(3,169)	253,806	14,748	268,554
12	FIXED COSTS	247,290	(4,368)	242,922	14,748	257,670
13	VARIABLE COSTS	9,685	1,199	10,884	-	10,884
14	REVENUE REQUIREMENT	256,975	(3,169)	253,806	14,748	268,554

NOTES:
1) TOTALS MAY NOT ADD DUE TO COMPUTER ROUNDING.

Appendix B

Operating and Maintenance Expenses

OPERATING AND MAINTENANCE EXPENSES
SUMMARY

LINE NO.	PARTICULARS	2003 BASE YEAR (A)	ADJUSTMENT (B)	2004 TEST YEAR (C)	ADJUSTMENT (D)	2005 TEST YEAR (E)
1	TRANSMISSION NORTH - OPERATIONS	7,818	(1,036)	6,782	79	6,861
2	TRANSMISSION NORTH - INTEGRITY	1,286	151	1,437	24	1,461
3	TRANSMISSION CENTRAL - OPERATIONS	8,407	(1,399)	7,008	81	7,089
4	TRANSMISSION CENTRAL - INTEGRITY	5,154	162	5,316	89	5,405
5	TRANSMISSION SOUTH - OPERATIONS	7,231	(1,039)	6,192	72	6,264
6	TRANSMISSION SOUTH - INTEGRITY	2,051	3,120	5,171	86	5,257
7	AREA MANAGEMENT AND OTHER SERVICES	1,616	257	1,873	22	1,895
8	TECHNICAL SERVICES - OPERATIONS	1,221	(277)	944	11	955
9	TECHNICAL SERVICES - INTEGRITY	266	406	672	11	683
10	VANCOUVER & CALGARY OPERATIONS	9,698	506	10,204	118	10,322
11	GENERAL AND ADMINISTRATIVE	11,504	(1,383)	10,121	117	10,238
12	TOTAL	56,252	(532)	55,720	710	56,430
13	INTEGRITY	8,757	3,839	12,596	210	12,806
14	TOTAL EXCLUDING INTEGRITY	47,495	(4,371)	43,124	500	43,624

Appendix C

Transmission Depreciation Rates

Line No.		Rate Base Section	Gross Plant 31-Dec-03 (A)	Accumulated Depreciation 31-Dec-03 (B)	Net Plant (C)	Reserve Life Index - YRS (D)	Settlement Depreciation Amount (E)	Settlement Depreciation Rate - % (F)	Currently Approved Rate - %
	RB 1	M/L, Station 2 to Huntingdon							
1		a) Obsolete Equipment	79,566	-51,388	28,178		3,522	4.43% (1)	4.62%
2		b) Balance	1,097,526	-330,983	766,543	29.3	26,174	2.38%	2.00%
3			1,177,092	-382,371	794,721		29,696	2.52%	2.21%
	RB 2 & 2A	FN Mainline & Aitken Transmission							
4		a) Obsolete Equipment	0	0	0	10.0	0	0.00%	0.00%
5		b) Balance	283,341	-90,117	193,224	26.5	7,302	2.58%	2.53%
6			283,341	-90,117	193,224		7,302	2.58%	2.53%
7	RB 7	M/L, Station 1 to 2	61,435	-22,521	38,914	34.7	1,122	1.83%	1.68%
8	RB 10A	16" Pipeline System	15,900	-8,990	6,910	16.4	421	2.64%	2.21%
9	RB 10B & 12	26" Pipeline System	13,764	-6,719	7,045	34.7	203	1.48%	1.28%
10	RB 13C	Grizzly Transmission System	14,535	-6,683	7,852	28.1	279	1.92%	2.04%
11	RB 14B	Sikanni Pipeline & Meter Station	6,503	-4,456	2,047	9.9	207	3.18%	2.13%
12	RB 15	Alces Pipeline & Meter Station	696	-665	31	16.4	2	0.27%	0.65%
13	Subtotal		1,573,266	-522,522	1,050,744		39,232	2.49%	2.24%
14	Miscellaneous	(a) Franchises and Consents	132	-132	0		3	2.49%	3.40%
15		(b) Intangible	1	0	1		0	0.00%	0.00%
16		(c) Other Structures	1,985	-800	1,185		49	2.49%	3.40%
17	Subtotal		2,118	-932	1,186		53	2.49%	3.40%
18	General Plant	(a) Structures	3,485	-1,369	2,116		87	2.49%	3.40%
19		(b) Leaseholds	3,570	-3,100	470		357	10.00%	10.00%
20		(c) Houses	96	-96	0		2	2.50%	2.50%
21		(d) Computer Equipment	31,960	-24,197	7,763		6,392	20.00%	20.00%
22		(e) Office Furniture	2,567	-1,404	1,163		128	5.00%	5.00%
23		(f) Transportation under 5 tonnes	4,346	-4,346	0		708	16.30%	16.30%
24		(g) Transportation over 5 tonnes	1,134	-1,134	0		79	7.00%	7.00%
25		(h) Heavy Work Equipment	5,088	-4,009	1,079		239	4.70%	4.70%
26		(i) Tools and Work Equipment	3,991	-3,860	131		200	5.00%	5.00%
27		(j) Communications Equipment	9,038	-6,696	2,342		904	10.00%	10.00%
28		(k) Other Equipment	725	-449	276		36	5.00%	5.00%
29	Subtotal		66,000	-50,660	15,340		9,133	13.84%	11.94%
30	Total of Lines 13, 17 and 29		1,641,384	-574,114	1,067,270		48,418	2.950%	2.625%

Note:

(1) Adjustment required to depreciation rate due to use of previously approved rate in 2001. This adjustment will ensure that the obsolete equipment account will be zero at the end of the 10 year period.

Appendix D

2004 Transmission Tolls

Demand Toll Table

$\$/10^3m^3/mo$

Firm Transportation Service - North	2003 $\$/10^3m^3/mo$	2004 $\$/10^3m^3/mo$	Forecast 2005 $\$/10^3m^3/mo$
Shorthaul	7.67	6.86	7.71
Longhaul	110.50	98.84	111.09
Firm Transportation Service - South			
Pacific Northern Gas Delivery Point	66.62	68.00	70.90
Inland Delivery Area	164.95	166.90	174.03
Huntingdon Delivery Area	294.37	300.44	313.27
Terasen Kingsvale to Huntingdon	129.42	133.54	139.24

¢/Mcf

Firm Transportation Service - North	2003 ¢/Mcf	2004 ¢/Mcf	Forecast 2005 ¢/Mcf
Shorthaul	0.71	0.64	0.72
Longhaul	10.29	9.18	10.35
Firm Transportation Service - South			
Pacific Northern Gas Delivery Point	6.20	6.32	6.60
Inland Delivery Area	15.36	15.50	16.21
Huntingdon Delivery Area	27.42	27.90	29.18
Terasen Kingsvale to Huntingdon	12.05	12.40	12.97

Appendix E

2004 Transmission Allocation Units

10^3m^3/day

Firm Transportation Service - North	2003 (10^3m^3/day)	2004 (10^3m^3/day)	Forecast 2005 (10^3m^3/day)
Shorthaul	8,850	10,896	10,896
Longhaul	49,893	46,742	46,742
Firm Transportation Service - South			
Pacific Northern Gas Delivery Point	3,088	3,088	3,088
Inland Delivery Area	4,744	5,762	5,762
Huntingdon Delivery Area	45,658	45,215	45,215
Terasen Kingsvale to Huntingdon	497	2,974	2,974

MMcf/day

Firm Transportation Service - North	2003 (MMcf/day)	2004 (MMcf/day)	Forecast 2005 (MMcf/day)
Shorthaul	312	385	385
Longhaul	1,761	1,650	1,650
Firm Transportation Service - South			
Pacific Northern Gas Delivery Point	109	109	109
Inland Delivery Area	167	203	203
Huntingdon Delivery Area	1,612	1,596	1,596
Terasen Kingsvale to Huntingdon	18	105	105

Appendix F

Description of Late Night Nomination Pilot
(to facilitate Interconnect Storage Alignment)

Applies to:

- Interconnect operators that require late night physical adjustments to delivery nominations for OBA management
- These nominations would originate from Aitken Creek storage

Proposed Requirements:

- Pipeline and Storage Facility must be physically able to make the requested nomination change
- Prior to contacting DEGT Gas Control the Interconnecting Operator must have obtained prior approval from the Aitken Creek Storage Operator for the requested flow adjustment
- There must be a pre-existing storage nomination that can be increased or decreased
- Nominations must be streamed with the same package id from Aitken Creek through to the delivery point (no ownership changes will be permitted in nomination path)
- Only one nomination stream may be adjusted per late night storage alignment (Lower Mainland, or BC Interior, or Kingsvale)
- The storage nomination change will be subject to elapsed prorata (EPSQ) – physical flow will be determined by Gas Control up to a maximum of 12 hours
- Late Night storage nomination adjustments must be received by Gas Control no later than 11:00 pm PCT (1:00 am CCT)

Recommendation:

- Proposal to be introduced as a pilot initiative
- Pilot to include suspension clauses concerning administrative manageability and performance of physical management of late night changes
- Success factors for the pilot:
    - Aitken Creek and any Interconnecting Operators using the service OBA's average cumulative imbalance reduction (track OBA before and after pilot implementation)

Appendix V

Westcoast's Revised Tolls

Net Demand Toll Schedule[1]

Actual 2003 and Applied for 2004 Firm Demand Tolls ($\$/10^3m^3/mo$)

Firm Transportation Service - North	2003	2004
Short Haul	7.67	6.79
Long Haul	110.50	97.77
Firm Transportation Service - South		
Pacific Northern Gas Delivery Point	66.62	67.27
Inland Delivery Area	164.95	165.11
Huntingdon Delivery Area	294.37	297.21
Terasen Kingsvale to Huntingdon	129.42	132.10

Actual 2003 and Applied for 2004 Interruptible Commodity Tolls[2] ($\$/10^3m^3$)

Interruptible Transportation Service – North November to March	2003	2004
Short Haul	0.336	0.297
Long Haul	4.844	4.274
April to October		
Short Haul	0.252	0.223
Long Haul	3.633	3.206
Interruptible Transportation Service – South		
November to March		
Pacific Northern Gas Delivery Point	2.920	2.941
Inland Delivery Area	7.231	7.218
Huntingdon Delivery Area	12.904	12.993
April to October		
Pacific Northern Gas Delivery Point	2.190	2.205
Inland Delivery Area	5.423	5.413
Huntingdon Delivery Area	9.678	9.745

1 Filed by Westcoast letter dated 26 July 2004.

2 plus the amount of tax on fuel gas consumed in operations payable by Westcoast under the Motor Fuel Act (British Columbia) allocated to shipper for each day in the month.