



National Energy Board

Reasons for Decision

**Trans Québec & Maritimes
Pipeline Inc.**

RH-4-85

September 1985

Tolls

National Energy Board

Reasons for Decision

In the Matter of

Trans Québec & Maritimes Pipeline Inc.

Application dated 22 February 1985, as
revised, for new tolls effective 1 February
1985

RH-4-85

September 1985

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Abbreviations and Definitions

AFUDC	Allowance for Funds Used During Construction
APMC	Alberta Petroleum Marketing Commission
Applicant Company TQM	Trans Québec & Maritimes Pipeline Inc.
Board NEB	National Energy Board
CPA	Canadian Petroleum Association
CWI	Construction Warehouse Inventory
DCF	Discounted Cash Flow
Dome	Dome Petroleum Limited
GC-65	Certificate of Public Convenience and Necessity No. GC-65 issued 16 May 1980 authorizing facilities from Boisbriand to Quebec City
GC-68	Certificate of Public Convenience and Necessity No. GC-68 issued 10 December 1981 authorizing facilities east of Quebec City to Halifax
GICQ	Gaz Inter-Cité Québec Inc.
IPAC	Independent Petroleum Association of Canada
Northern and Central Ontario	Northern and Central Gas Corporation Limited Minister of Energy for Ontario
O&M	Operating and Maintenance
SCADA	Supervisory Control and Data Acquisition
TSE	Toronto Stock Exchange
Test Year	1 January 1985 to 31 December 1985
TCPL	TransCanada PipeLines Limited
June 1983 Reasons for Decision	National Energy Board Reasons for Decision in the Matter of the Application under Part IV of the <i>National Energy Board Act</i> of Trans Québec & Maritimes Pipeline Inc. - June 1983

March 1984 Reasons for Decision

National Energy Board Reasons for Decision in the Matter of the Application under Part IV of the *National Energy Board Act* of Trans Québec & Maritimes Pipeline Inc. - March 1984

1983 Hearing

Hearing held pursuant to Board Order No. AO-3-RH-4-82

1984 Hearing

Hearing held pursuant to Board Order No. RH-4-84

1985 Proceedings

Toll proceedings held pursuant to Board Order No. RH-4-85, as amended.

Recital and Submitters

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

IN THE MATTER OF an application by Trans Québec & Maritimes Pipeline Inc. made under Part IV of the Act for certain orders respecting tolls and tariffs, filed with the Board under File No. 1562-T28-5.

BEFORE:

R.F. Brooks	Presiding Member
R.B. Horner, Q.C.	Member
A.B. Gilmour	Member

SUBMITTORS:

Trans Québec & Maritimes Pipeline Inc.	J.W. Beames, Q.C.
Alberta Petroleum Marketing Commission	A.S. Hollingworth W. Murray Smith
Canadian Petroleum Association and Independent Petroleum Association of Canada	P.L. Fournier C. Kemm Yates R.G. Dewolf
Dome Petroleum Limited	R.A. Fraser
Gaz Métropolitain, inc.	D. Hotte R. Lassonde
Industrial Gas Users Association	C.P. Thompson, Q.C. T. Bjerkelund
Procureur général du Québec	J. Robitaille R. Gagné
Minister of Energy for Ontario	J.M. Johnson, Q.C.
Northern and Central Gas Corporation Limited	P.F. Scully
NOVA, AN ALBERTA CORPORATION	C.J. Maciorowski J. Hopwood, Q.C.
The Consumers' Gas Company Ltd.	J.H. Farrell

TransCanada PipeLines
Limited

C.C. Black

Union Gas Limited

D.A. Sulman
E.H. Merritt

Westcoast Transmission
Company Limited

R.B. Maas

Chapter 1

The Application

1.1 Background

The Applicant, Trans Québec & Maritimes Pipeline Inc. (TQM), as mandatary for a partnership consisting of TransCanada PipeLines Limited (TCPL) and NOVA, AN ALBERTA CORPORATION, operates a pipeline for transmission of natural gas. The pipeline extends from the point of interconnection with the TCPL system at St. Lazare, Quebec, to a point just west of Quebec City.

Natural gas transmitted by TQM for TCPL is sold by TCPL to TQM at the points of interconnection between TQM and the facilities of the distributors. TQM immediately sells the gas to the distributors at the same points.

TCPL is charged the entire toll determined by the Board to be just and reasonable in respect of transmission services rendered by TQM. Charges to TCPL by TQM are, upon approval by the Board, included in TCPL's cost of service as a component of "Transmission by Others". Thus, TQM's toll becomes an integral part of the tolls paid by TCPL's customers.

By Order No. TG-7-84, dated 9 August 1984, the Board ordered TQM to charge, in respect of the transportation service provided to TCPL, a monthly toll of \$7.539 million, commencing 1 August 1984. By Order No. TGI-3-85, dated 31 January 1985, the Board ordered that, effective 1 February 1985, the toll established by and the tariff filed in accordance with Order No. TG-7-84 be an interim toll and an interim tariff.

1.2 Application

By an application dated 22 February 1985, TQM applied for orders to be effective 1 February 1985 fixing just and reasonable tolls that TQM might charge for or in respect of the transmission of natural gas through its pipeline facilities and disallowing tolls that would be inconsistent with the tolls so fixed.

The application was notable in that it had the support of several interested parties who had opposed TQM's requests in previous toll applications. TQM had meetings with these parties before the presentation of the application; consequently, an agreement was reached between them on certain matters which would influence the calculation of a just and reasonable toll, and on what would be a just and reasonable toll for TQM's transportation service. These parties placed on record that they considered the agreement to be an entity comprised of mutually dependent and inseverable matters and that neither the agreement itself nor any specific term thereof should be considered to be a precedent for any future application.

In argument, TQM and the Minister of Energy for Ontario (Ontario) put forward opposing views with respect to the role of the agreement in the Board's decision-making process. Though the Board found persuasive certain parts of both arguments, it does not fully agree with either. The fact that an agreement on just and reasonable tolls was reached between the Applicant and some major interested parties has some relevance to the Board's determination of a just and reasonable toll. However, the

existence of such an agreement cannot fetter the Board's discretion. The Board cannot abandon its mandate; the agreement cannot, per se, be the vehicle for determining the justness and reasonableness of the tolls applied for.

1.3 Board Procedure

Against the somewhat unusual background of an agreement having been reached between the Applicant and some of the intervenors, the Board invited and received comment on the idea of proceeding by way of written submissions rather than by a hearing with oral testimony. Some support for the idea having been received, the Board decided on the written submission approach. Orders No. RH-4-85 and No. AO-1-RH-4-85 set forth the directions on procedure.

Chapter 2

Rate Base

2.1 Introduction

In its application, TQM presented evidence showing its projected test year rate base. For reasons indicated hereafter, the Board has adjusted the test period rate base as shown in Table 2-1.

Table 2-1
Average Rate Base
Test Year 1 January 1985 to 31 December 1985

	Application As Amended (\$000)	Adjustments (\$000)	Authorized by NEB (\$000)
Gas Plant in Service	470,741	(337)	470,404
Accumulated Depreciation	(31,406)	(843)	(32,249)
Net Gas Plant	439,335	(1,180)	438,155
Working Capital	4,913	116	5,029
Tax Benefit on Sponsors' Development Costs	(14,686)	(3)	(14,689)
GC-65/GC-68 Project Costs	(7,426)	7,426	-
TOTAL RATE BASE	422,136	6,359	428,495

**Table 2-2
Details of Adjustments to Average
Gas Plant in Service**

Reference	Amount Disallowed (\$000)	Other Adjustments (\$000)
La Pérade Sales Tap	(58)	-
Stand-by Plant	-	(18)
Construction Warehouse Inventory	-	(110)
SCADA System (Section 2.3)	(143)	-
Operating and Maintenance Expenses Capitalized ¹	(9)	-
Rounding	-	1
Total	(210)	(127)

1 Reference Sections 4.2.1 and 4.2.2.

2.2 Gas Plant in Service

TQM projected its average gas plant in service (GPIS) for the test year to be \$470.741 million. The Board adjusted this amount as shown in Table 2-2 for reasons indicated hereafter.

2.2.1 La Pérade Sales Tap

TQM applied for the inclusion in rate base of the amount of \$82,000 for the sales tap installed at La Pérade. Originally, TQM contemplated constructing a meter station at La Pérade, but, owing to lower than expected throughput, deemed it more prudent to install only an unmetered sales tap at a cost of \$24,000. The overrun of \$58,000 includes costs for land and land rights as well as for engineering design associated with the full metering station complex originally planned.

No comments were received from intervenors with respect to the cost overrun.

The Board is of the view that the \$58,000 overrun should be excluded from rate base and deferred in NEB Account 179 "Other Deferred Debits" until such time as authority is given for construction of a meter station at La Pérade.

2.2.2 Construction Warehouse Inventory

TQM applied for the inclusion in rate base of its forecast average 1985 construction warehouse inventory (CWI) of \$265,296. In its March 1984 Reasons for Decision, the Board allowed TQM one-half the authorized rate of return on rate base for CWI over the period thought necessary for the disposal of material considered to have no foreseeable future use.

TQM explained that it had sold all surplus material which could not be used in the foreseeable future and only kept sufficient pipe for its emergency needs as well as other materials which would be used in the near future. For this reason, TQM contended that the CWI should be included in rate base with full return in a manner consistent with the Board's treatment of the CWI of other pipeline companies.

No comments were received from interested parties with respect to TQM's applied-for CWI.

TQM stated that \$128,451 of the CWI cost is for materials needed for emergency purposes. The Board is of the view that this amount should be reflected in the materials and supplies inventory. The remainder, however, is properly included in CWI. Both of these will now earn the authorized rate of return on rate base.

The amount of \$128,451 less the \$18,014 transfer of stand-by plant to CWI discussed below results in the adjustment of \$110,000 to CWI shown in Table 2-2.

2.2.3 Stand-by Plant

TQM applied for inclusion in rate base of the cost of turbine meters, amounting to \$18,014, currently recorded as stand-by plant in NEB Account 467 - Measuring Equipment. The Company stated that this treatment was consistent with the Board's treatment of similar items for other pipeline companies.

TQM has substantially reduced the stand-by plant from the time of the last Board decision when its cost was \$71,275 and a return of one-half the authorized rate of return on rate base was allowed.

No comments were received from interested parties with respect to the Applicant's stand-by plant.

The Board directs that this plant be transferred to CWI to be available as required on a seasonal basis or for emergency purposes. Being included in CWI, this plant will now earn the full rate of return.

2.3 GC-65/GC-68 Project Costs

TQM applied for authorization to recover project costs, excluding allowance for funds used during construction (AFUDC), totalling \$7.639 million related to Certificates GC-65 and GC-68 for facilities not built east of Quebec City. TQM asked that these project costs be amortized on a straight-line basis over 15 years and that it be allowed to earn a rate of return on the unamortized balance equal to the weighted annual cost of TQM's long-term debt. TQM confirmed that it did not propose to construct any of these facilities.

In its June 1983 Reasons for Decision, the Board deferred the inclusion of costs related to the Maritimes portion of the pipeline east of Quebec City in rate base and directed the Applicant to seek approval of such inclusion only after a final decision relating to the construction of these facilities had been made by the Applicant.

In its March 1984 Reasons for Decision, the Board allowed the inclusion in rate base of certain project costs for Certificate GC-65 facilities that TQM had decided not to build, but disallowed the inclusion of any related AFUDC. The reason given for the disallowance of AFUDC was that parties holding certificates pursuant to Part III of the NEB Act should assume some business risk and could not expect that all costs incurred would be automatically recoverable in tolls. The Board allowed TQM to amortize the project costs less AFUDC on a straight-line basis over three years with a rate of return on the unamortized balance equal to the Applicant's authorized rate of return on rate base.

In its 1985 application, TQM excluded AFUDC from the project costs for the GC-65/GC-68 facilities it did not intend to build.

Except for Ontario, the majority of the intervenors supported the Applicant's position in respect of these GC-65/GC-68 project costs. Ontario's opinion was that, had any person other than TQM acquired Certificate GC-68, all costs which it had chosen to incur would, of necessity, have been at its own risk.

TQM's position is that it considered the facilities anticipated to be built under Certificates GC-65 and GC-68 as a single project and incurred costs on that basis.

The total requested amount of \$7,639 million included \$143,241 for the detailed design of a supervisory control and data acquisition (SCADA) system. This system was intended to serve a pipeline extending the full distance from St. Lazare, Quebec, to Halifax, Nova Scotia (none of these costs relate to the control system in use on the pipeline currently in operation).

The Board views the costs for the SCADA system as having been imprudently incurred, in the indefinite circumstances existing at the time the design work was carried out. The Board has accordingly reduced the GPIS by the amount of \$143,241 for this design work.

Taking into consideration all of the above, the Board has decided that it will allow in rate base the GC-65/GC-68 project costs less the costs for the SCADA system. The Board is of the view that the GC-65/GC-68 project costs in the amount of \$7.496 million should be amortized over three years. (See Mr. R.B. Horner's dissenting opinion on this matter in Chapter 6).

2.4 Working Capital

In its application, TQM estimated its working capital for the test year to be \$4.913 million. Board adjustments to working capital are shown in Table 2-3.

Table 2-3
Details of Adjustments to Working Capital

	Application As Amended (\$000)	Adjustments (\$000)	Authorized by NEB (\$000)
Cash	684	(12)	672
Materials and Supplies	249	128	377
Transmission Line Pack	613	-	613
Prepayments	549	-	549
Downscaling	2,818	-	2,818
Total	4,913	116	5,029

2.4.1 Cash

Disallowance by the Board of a portion of operating and maintenance expenses resulted in an adjustment to the cash working capital allowance as shown in Table 2-4.

Table 2-4
Adjustments to Cash Working Capital Allowance

	(\$000)
Net Operating and Maintenance Expenses per Applicant	8,210 ¹
Salaries and Benefits Disallowed	(53) ²
Other Operating and Maintenance Expenses Disallowed	(91) ³
Net Operating and Maintenance Expenses Allowed	8,066
1/12 of Net Operating and Maintenance Expenses per Applicant	684
1/12 of Allowed Net Operating and Maintenance Expenses	672
NEB Adjustment	12

1 These amounts reflect the removal of cost of operating use gas and excise tax.

2 Reference Section 4.2.1

3 Reference Section 4.2.2

2.4.2 Materials and Supplies Inventory

TQM forecast the average test year level of the materials and supplies inventory to be \$249,000. As explained in Section 2.2.2, the Board is of the view that an amount of \$128,451 for materials being held for emergency use and currently classified as CWI would be more appropriately included in the materials and supplies inventory.

Accordingly, the Board approves an amount of \$377,451 for inclusion in the test year rate base.

2.4.3 Downscaling

Downscaling costs associated with employment terminations and office closings were incurred by TQM as a result of a reduction in scope of the project,

In its March 1984 Reasons for Decision, the Board found it appropriate to amortize forecast 1984 downscaling expenses on a straight-line basis over a period of 36 months commencing 1 January 1984 and to include the average unamortized balance in rate base. The Applicant was instructed to segregate the actual downscaling expenses incurred during 1984 in its accounting records and bring these amounts forward for consideration by the Board in a future toll application.

TQM submitted its actual downscaling expenses for the year ended 31 December 1984 and applied to amortize the unamortized balance over 24 months commencing 1 January 1985.

In addition, TQM submitted a forecast of downscaling expenses for the test year 1985, the last year in which it expects such expenses to be incurred, The Company applied to amortize its forecast 1985 downscaling expenses over 36 months commencing 1 January 1985 and to include the unamortized balance in rate base.

No comments were received from interested parties with respect to downscaling expenses.

The Board considers TQM's proposed treatment of 1984 downscaling expenses to be appropriate. Accordingly, the Applicant may amortize the unamortized balance of actual 1984 downscaling expenses on a straight-line basis over 24 months commencing 1 January 1985 and may include the average unamortized balance of these expenses in rate base.

The Board further approves the amortization of forecasted 1985 downscaling expenses on a straight-line basis over 36 months commencing 1 January 1985 and the inclusion of the average unamortized balance of these expenses in rate base.

The Applicant is directed to segregate the actual downscaling expenses incurred during 1985 in its records and to bring any difference between these amounts and the forecasted amounts forward for consideration by the Board in its next toll application.

Chapter 3

Rate of Return

TQM applied for a rate of return on rate base, as amended, of 13.38 percent as compared to the existing approved rate of 14.44 percent. The applied-for capital structure and the associated individual cost rates are shown in Table 3-1.

Table 3-1
Applied-for Rate of Return on Rate Base

	Capital Structure (%)	Cost Rate (%)	Cost Component (%)
Debt	75.0	12.68	9.50
Equity	25.0	15.50	3.88
	100.0		13.38

3.1 Capital Structure

As in its prior toll applications, TQM requested that the Board determine the Company's rate of return on rate base by reference to a capital structure consisting of 75 percent debt and 25 percent equity. No intervenor in the current proceedings objected to the use of these overall ratios in the determination of the Company's allowed rate of return on rate base.

In the circumstances of this case, the Board has decided that the applied-for capital structure consisting of 75 percent debt and 25 percent equity continues to form an appropriate basis for the determination of the Company's allowed rate of return on rate base.

3.2 Cost of Debt

In its application, TQM originally requested that it be permitted to cost the debt component of its allowed capital structure for the test year at a rate of 13.07 percent. Subsequent to the filing of its application, TQM placed an additional bond issue totalling \$85 million, which had a coupon rate of 11.7 percent. Accordingly, TQM amended its requested rate to a level of 12.68 percent. This rate is a composite figure based on TQM's mixture of short-term and long-term financing. The cost rates associated with the Company's long-term, fixed-rate debt obligations were not at issue during these proceedings.

TQM requested that it be permitted to cost its short-term debt at a rate of 11 percent for the test year, indicating that this rate was one of the elements agreed to by the Canadian Petroleum Association (CPA), the Independent Petroleum Association of Canada (IPAC) and the Alberta Petroleum Marketing Commission (APMC) prior to the filing of its application. TQM also indicated that it was

not requesting a deferral account in respect of any differences between the approved rate for short-term debt and the actual interest rates incurred during the test year.

In argument, Ontario submitted that TQM should cost its debt at a rate which incorporates the actual costs incurred to date, together with a provision of 10.5 percent for short-term debt for the remainder of the test year. Ontario was of the view that there "is *no* justification for retrospectively granting a cost of debt at the forecasted level of any agreement since TQM will not actually bear any risk of such cost deviations for the larger part of its test year". TQM argued that the costing of its short-term debt should be based upon the economic parameters expected to prevail during the test period and not on "spot" rates.

Ontario's expert witness was of the view that a rate of 10 percent for bank prime appeared likely for the second half of 1985. This forecast suggested to the witness that the average Canadian bank prime rate would be 10.5 percent for the test year.

Having reviewed all the evidence presented by the Applicant and various interested parties, the Board is of the view that the approved cost rate for TQM's short-term debt should be based on the experienced costs to date and prospective rates for the balance of the test year. In this regard, the Board notes that the Company incurs interest at the Canadian bank prime rate on the majority of its short-term debt, but pays prime plus one-half of one percent on 10 percent of its outstanding term loans. The Board also notes that TQM has not requested a deferral account in respect of potential variances between approved and actual interest rates for the test year. As a result, the Board finds it appropriate to cost TQM's short-term debt obligations for the test year at a rate of 11 percent.

Based on these decisions, the Board finds the cost rate for debt of 12.68 percent to be the appropriate one for use in the determination of TQM's rate of return on rate base.

3.3 Rate of Return on Equity

TQM applied for a rate of return on equity of 15.5 percent as compared to the currently allowed rate of 15 percent. This was one of the elements upon which the Company had reached agreement with CPA, IPAC and APMC. In support of this rate, TQM submitted the evidence of its expert witness who employed the equity risk premium and discounted cash flow (DCF) approaches in estimating the cost of equity capital.

His analysis indicated that 15.5 percent represents the minimum return required to maintain TQM's financial integrity and to permit the Company's stock, if it were trading in the market, to sell at approximately book value. However, he specified that a fair rate of return on equity would be 16.25 percent¹, the 75 basis points differential representing his recommended allowance for flotation costs.

Ontario recommended a rate of return on equity of 13.75 to 14 percent based on the testimony of its expert witness. In making this recommendation, the expert witness for Ontario relied upon the equity risk premium, DCF and comparable earnings approaches in estimating the cost of equity capital.

¹ TQM indicated in June 1985 that its expert witness' forecast average long-term Government of Canada bond yield would be 11.375 percent for the test year based on a combination of actual and forecast interest rates. The use of this rate in this witness' analysis would have resulted in a fair rate of return on equity of 16 percent.

In his equity risk premium approach, the Company witness made two studies to establish what he felt to be an appropriate equity risk premium. He concluded that, on average, a premium of 4.25 percentage points over long-term Government of Canada bond yields and 5 percentage points over preferred share yields was warranted. When combined with his forecasts of long-term Government bond and preferred share yields, he derived a "bare-bones" cost of equity capital of 15 to 16 percent. Giving greater weight to the risk premium related to bond yields, the witness concluded that the risk premium approach suggested a "barebones" return requirement of 15.75 percent, and a rate of return, including a minimal adjustment for flotation costs, of 16.5 percent.

TQM indicated that, if its witness were to assume that the appropriate interest rate should be premised on a mixture of actual and prospective rates, he would reduce his test year average forecast of long-term Canada bond yields from 11.75 to 11.375 percent. Accordingly, TQM indicated that this adjustment would lower the risk premium "bare-bones" cost result from 15.75 to 15.37 percent.

In applying the DCF technique, the Company's expert witness estimated the cost of equity capital for two groups of stable Canadian industrials, three non-diversified electric-gas utilities and a group of five telephone companies. In his view, these studies suggested a "bare-bones" cost of about 14.65 percent for the utilities and industrials examined. This rate was increased by 50 basis points to reflect the witness' views of TQM's risk relative to the companies included in his sample. After adding a minimal adjustment for flotation costs, he concluded that the cost of equity capital was 16 percent according to his DCF test.

In his equity risk premium approach, the expert witness for Ontario studied the historical risk premiums achieved in different classes of stock investments on the Toronto Stock Exchange (TSE) over the yields on long-term Canada bonds for the past 20 years. He concluded that the required equity risk premium for an investment of risk comparable to that of the average stock on the TSE currently requires a premium of 2 to 2.5 percentage points over the 15-year Canada bond rate. Adding this premium to the then current long-term Government of Canada bond yield of 11.06 percent, and adjusting the result downward by 20 basis points to reflect this witness' views as to the lower risk of TQM compared to the average TSE industrial, resulted in an estimated cost of equity capital of 12.86 to 13.36 percent before any allowance for market pressure.

With respect to the comparable earnings test, Ontario's witness reviewed historical returns on book equity for his industrial and utility samples for the periods 1974 to 1983 and 1975 to 1984 respectively. His resulting estimates of the cost of equity capital for TQM as measured by this approach were in the range of 12.82 to 13.98 percent for the low-risk industrials, after giving effect to a 10 basis point reduction for TQM's perceived lower risk, and 13.28 to 14.06 percent for the utility sample.

The witness for Ontario applied the DCF approach to a sample of Canadian utilities. His analysis indicated that the prospective growth rate for the sample was between 6.75 and 7 percent. Adding this to the observed dividend yield range of 6.15 to 6.27 percent, he concluded that TQM's cost of equity prior to any allowance for market pressure lay in a range of 12.9 to 13.27 percent.

Given the lower level of confidence he placed on the comparable earnings test results, in particular for those related to his low-risk industrials, this witness concluded that the cost of equity to TQM before adjustment for market pressure was in the range of 13 to 13.75 percent. In order to provide for market pressure, this estimate was increased by 50 basis points to a level of 13.5 to 14.25 percent.

Ontario's witness subsequently recommended that TQM be allowed to earn a rate of return on common equity of 13.75 to 14 percent because of declining yields in financial markets.

In the Board's view, the determination of an appropriate rate of return on equity involves the use of methods which are subject to the exercise of judgment. However, the Board notes that the expert witnesses for Ontario and TQM stated that the cost of equity capital had declined since 1984 and that their respective recommended rates of return on equity capital were lower for the current test year than was recommended in TQM's 1984 toll proceeding.

Based upon its consideration of the evidence presented and its decision in respect of the capital structure, the Board finds 14.75 percent to be a fair and reasonable rate of return on equity.

3.4 Rate of Return on Rate Base

Based upon the Board's findings with respect to the just and reasonable rates of return on debt and equity, the overall rate of return on rate base is 13.20 percent as shown in Table 3-2.

**Table 3-2
Approved Rate of Return on Rate Base**

	Capital Structure (%)	Cost Rate (%)	Cost Component (%)
Debt	75.0	12.68	9.51
Equity	25.0	14.75	3.69
	100.0		13.20

3.5 Computation of Allowed Return on Rate Base

Based on the Board's decisions with respect to rate base and rate of return matters, the total return allowed the Company for the 1985 test year is \$56,561,000. The derivation of this amount is shown in Table 3-3.

Table 3-3
Allowed Return on Rate Base

	(\$000)
Rate Base per Section 2.1	428,495
Total Allowed Return (13.20 percent x 428,495)	56,561

Chapter 4

Cost of Service

4.1 Introduction

In its application, TQM requested a cost of service for a projected test year commencing 1 January 1985. For reasons indicated hereafter, the Board has adjusted TQM's cost of service as shown in Table 4-1.

Table 4-1
Authorized Cost of Service
Test Year 1 January 1985 to 31 December 1985

	Application As Amended (\$000)	Adjustments (\$000)	Authorized by NEB (\$000)
Operating and Maintenance Expenses	8,220	(144)	8,076
Depreciation and Amortization	17,750	2,089	19,839
Taxes Other Than Income Taxes	2,112	-	2,112
Income Taxes	-	-	-
Return on Rate Base	56,492	69	56,561
Return on GC-65/GC-68 Project Costs	982	(982)	-
Total Cost of Service	85,556	1,032	86,588

4.2 Operating and Maintenance Expenses

The Applicant forecasted test year operating and maintenance (O&M) expenses using a zero-based budgeting process. Amounts disallowed by the Board total \$143,695.

4.2.1 Wages, Salaries and Employee Benefits

TQM increased salary ranges by 5 percent in 1984 and also re-introduced a pay-for-performance salary administration program which allowed for individual increases of 0 to 10 percent, dependent on assessment of performance. The average increase granted to salaried employees in 1984 was 6.2 percent.

TQM has projected a 4.9 percent increase in salaries for the test year. The Applicant stated that the salary increase was based on a consultant's assessment of the external competitiveness of the Company's current remuneration package and of forecast salary movement in the marketplace for 1985. This forecast was based on results of an August 1984 salary budgets survey. For wage-earners, the Company projected a 6.2 percent increase, made up of a general increase of 3 percent, 1.5 percent for within-range progression increases for those employees in the same job throughout the test year

and 1.7 percent for promotions. The total estimated salaries and wages of \$3,672,000 for the test year also reflected the phasing out of relocation allowances and tax equalization payments, and the reduction in personnel requirements.

The Board, having reviewed trends in salaries and wages, notes that recent wage settlements in industry are averaging about 3 percent and that major forecasters expect an average increase of 4 percent in the average wage rate for 1985. Furthermore, the Board is not convinced that the increases in cost of merit and progressions programs for wage-earners would be as great as estimated by TQM. Consequently, the Board will allow a 4 percent increase for both salaries and wages, including the allowance for merit and progressions. The impact of this adjustment on wages and salaries is a disallowance of \$45,180 in O&M expenses and a disallowance of \$2,000 in average GPIS.

With regard to employee benefits, TQM provided for no changes in direct benefits in the test year but estimated that higher contributions and premiums would cause their costs to be 17.43 percent of salaries and wages, up from 14.19 percent in the base year. The Company attributed the increase in contributions to higher wages and salaries, and higher premiums to a different group profile and past amount of claims. The Board approves TQM's employee benefit structure. However, since fringe benefits vary to a degree with salaries and wages, benefits have been reduced by \$7,845 in O&M expenses to reflect the disallowances in salaries and wages described in the preceding paragraph.

TQM projected an average staff of 102 person-years for the test year, a decline from an average of 148 person-years in the base period. By the end of 1985, it expects to have 93 employees. The Board notes the Company's plans to downscale its personnel requirements in the test year and finds the projected staff levels reasonable.

4.2.2 Forecasts of Other O&M Expenses

TQM's estimate of other O&M expenses for the test year reflected adjustments for reduced activity and general price escalation.

Escalation Factor

TQM used an escalation factor of 7.5 percent to capture general price increases over the fifteen-month period from the end of the base year to the end of the test year. The Board notes that Statistics Canada reported an increase of 0.9 percent in the Consumer Price Index during the last three months of 1984 and that major forecasters are forecasting an average inflation rate of 4 percent for 1985. The Board has decided that the escalation factor to be used to determine the toll for the 1985 test year should be 5 percent for the fifteen-month period. This reduces other O&M expenses by \$91,000, and average GPIS by \$7,000.

Regulatory Expenses

TQM applied for forecasted regulatory expenses for the 1985 test year in the amount of \$215,300. This amount comprised the anticipated cost of TQM's 1985 toll hearing (\$100,470), its participation in TCPL's 1985 toll hearing (\$11,395) and in TCPL's methodology hearing under RH-2-84 (\$103,410).

CPA and IPAC supported the applied-for regulatory expenses and APMC did not object to the amount applied for. Both Gaz Inter-Cité Québec Inc. (GICQ) and Northern and Central Gas Corporation Limited (Northern and Central) contended that if a decision was reached on the current application

without a public hearing or with a shortened hearing, the \$100,000 portion of the regulatory expenses targeted for the present hearing should be reduced.

TQM stated that the actual costs of the 1985 toll proceedings as of 30 June 1985 totalled \$100,800.

The Board approves the actual cost of TQM's 1985 toll proceedings in the amount of \$100,800 rather than the forecasted cost of \$100,470. Accordingly, the Board has increased 1985 regulatory expenses by \$330 to \$215,630.

4.3 Depreciation and Amortization

Table 4-2 is a summary of the amounts included in the cost of service for depreciation and amortization both as applied for and as adjusted by the Board.

**Table 4-2
Adjustments to Depreciation and Amortization**

	Application As Amended (\$000)	Adjustments (\$000)	Authorized By NEB (\$000)
Depreciation Expenses Related to GPIS (excluding franchises and consents, GC-65/GC-68 project costs and other project costs)	12,620	(1)	12,619
Amortization Expense Related to: GPIS (franchises and consents)	588	-	588
Project Costs - GC-65/GC-68	462	1,826	2,288 ¹
- Other ²	1,728	-	1,728
Downscaling Expenses	2,352	-	2,352 ³
Deferred Toll Hearing Expenses	-	264	264
	17,750	2,089	19,839

1 Reference Section 2.3.

2 Approved for amortization in prior years.

3 Reference Section 2.4.3.

4.3.1 Depreciation

In its March 1984 Reasons for Decision, the Board required TQM to submit a complete depreciation study on or before 30 September 1984. By letter dated 14 August 1984, TQM made certain proposals regarding this requirement. The Board, in a letter dated 21 November 1984, accepted TQM's proposals in part but maintained the requirement for a depreciation study giving consideration to all of the factors relevant to the determination of depreciation rates. The Board further stated that it wished to examine the appropriateness of depreciation rates in TQM's next toll hearing.

TQM requested in its current application that its existing depreciation rates be approved for the test period. The Company stated that it "would not, so long as this Board approved, incur in connection with this application the further substantial expenses which would be associated with a depreciation study of depreciable assets which amount to only a small percentage of TQM's depreciable plant, for which sufficient retirement experience is not yet available."

The Board, in its letter dated 23 May 1985, stated "For the information of interested parties it is not the Board's intention to require the depreciation study to be produced for the current toll proceedings. To the extent the Board deems it necessary, depreciation will be examined on the basis of the application as filed along with the direct evidence of the parties and information request responses." The Board further stated that although it saw a need for a depreciation study it was agreeing to a postponement of the study at this time.

Interested parties either supported or did not object to TQM's proposals regarding depreciation rates.

The Board has decided to approve the existing depreciation rates for the test year. However, the Board requires TQM to submit a depreciation study in accordance with the Board's letter dated 21 November 1984. The Company is directed to inform the Board of the date by which it will submit the depreciation study.

4.3.2 Deferred Toll Hearing Expenses

In its March 1984 Reasons for Decision, the Board directed TQM to defer its regulatory expenses for the toll hearing held pursuant to Order No. RH-4-83 and to bring these costs forward for consideration at the next toll hearing.

In its current application, TQM submitted its regulatory expenses related to Board Order No. RH-4-83 in the amount of \$803,000. The Company requested that this amount without any return thereon be recovered as an addition to the monthly tolls on the first day of the month following the month in which the Board made its final decision in respect of the application.

Most interested parties either supported or did not object to the requested treatment of this amount. However, Northern and Central said that the \$803,000 appeared excessive.

The Board has decided that it is appropriate to amortize the full amount of the applied-for deferred hearing costs to cost of service over 36 months commencing 1 January 1985. The Board does not allow the inclusion of the average unamortized balance of these costs in rate base.

Chapter 5

Tariff Matters and Toll Design

5.1 Tariff Matters

In its intervention, written evidence and argument, Dome Petroleum Limited (Dome) called into question the arrangement whereby TQM, pursuant to its transportation agreement with TCPL, transports gas belonging to GICQ, for TCPL. Dome argued that the consequence of this arrangement was a contravention of the currently approved terms of TQM's gas transportation tariff. This argument was based on the premise that GICQ is in fact a shipper for transportation service provided by TQM and as such should pay the toll for the service. Dome specifically requested the Board "to require TQM to arrange a transportation service contract directly with GICQ so that TQM will be operating in accordance with its approved tariff."

The Board recognizes that the issue raised by Dome may have some validity. However, the matter has not been sufficiently addressed by all parties in this proceeding to enable any decision to be made at this time. The Board will review this matter in the next TQM toll proceeding,

5.2 Toll Design

TQM asked the Board to approve a fixed toll to take effect 1 February 1985, developed from a 1985 calendar test year and a twelve-month base period ended 30 September 1984. The Board considers this toll design method, originally set in 1983, to be still the most appropriate one for the Company.

Table 5-1 summarizes the approved cost of service, the derivation of which may be found elsewhere in this Decision.

Table 5-1
Approved Cost of Service
Test Year 1 January 1985 to 31 December 1985

	Authorized by NEB (\$000)	Reference
Operating and Maintenance Expenses	8,076	Section 4.2
Depreciation and Amortization	19,839	Section 4.3
Taxes Other Than Income Taxes	2,112	
Income Taxes	-	
Return on Rate Base	56,561	Section 3.5
Total Cost of Service	86,588	

The approved monthly toll to be charged by TQM effective 1 February 1985 is \$7.216 million.

Chapter 6

Disposition

The foregoing together with Board Order No. TG-1-85 constitute our Reasons for Decision and our Decisions in this matter.

Ralph F. Brooks
Presiding Member

A.B. Gilmour
Member

Ottawa, Canada
September 1985

Dissenting Opinion of R.B. Horner, Q.C.

I was fully involved in arriving at the decisions in all matters in this case, and I agree with the findings and conclusions of my colleagues on the application of TQM, except as to the inclusion of certain costs associated with Certificates of Public Convenience and Necessity GC-65 and GC-68.

History of the Treatment of GC-65 and GC-68 Costs

TQM has accumulated certain project costs related to the granting and implementation of Certificates GC-65 and GC-68. The Board in its June 1983 Reasons for Decisions (Sections 5.2.2 and 5.3.2) deferred the inclusion of such expenditures in rate base and directed TQM to seek approval of such inclusion only after the Company had finally decided which of the authorized facilities would be constructed. In its March 1984 Reasons for Decision (Section 3.4.3), the Board allowed in rate base certain project costs for GC-65 facilities not to be built, but disallowed the inclusion in rate base of any related AFUDC. The disallowance of the AFUDC was judged by the Board to adequately reflect the assumption by the certificate holder of the business risks associated with these GC-65 facilities.

In its current toll application, TQM applied to recover GC-65 and GC-68 project costs without AFUDC in the amount of \$7,639,300. The Applicant has indicated that it does not intend to construct the facilities to which these costs relate. TQM has applied to recover these costs on a straight-line basis over 15 years, and that it be allowed to earn a return on the unamortized balance calculated using the weighted annual cost of TQM's long-term debt.

My Views on This Matter

I am of the view that the shareholders of the Applicant should bear some of the risk. The proposed facilities did not become "used and useful". On at least two other occasions the Board has compelled the shareholders to accept a reduced return on facilities which became no longer fully "used and useful". In my judgment in this instance, TQM should be required to bear at least 50 percent of the costs referred to above. Considering all the relevant factors, I am not prepared to ask the tollpayers to pay the total cost. I find that requiring TQM to bear at least 50 percent of the cost would result in a toll that is just and reasonable.

Accordingly, I would allow TQM to recover one-half of the GC-65/GC-68 costs excluding AFUDC and excluding the amount relating to the SCADA system discussed in Section 2.3. The remaining amount would be amortized over three years with interest on the unamortized balance calculated at a rate equal to the rate applicable to the embedded cost of the long-term debt of TQM.

In coming to this conclusion, I did not attempt to decide whether the costs incurred were prudent, as I am of the opinion that it is not necessary to make such a finding in this instance. When costs are incurred which do not result in used and useful facilities, then it is my view that the Board may exercise its discretion in deciding what portion, if any, of those costs should be borne by the tollpayers. I do not accept the argument of TQM that, once a certificate is issued, all costs of the Applicant should be recoverable from the tollpayers, even if the facilities are not constructed.

R.B. Horner, Q.C.
Member

Ottawa, Canada
September 1985

Appendix I

Order TGI-3-85

NATIONAL ENERGY BOARD
OTTAWA, K1A 0E5

OFFICE NATIONAL DE L'ÉNERGIE
OTTAWA, K1A 0E5

CANADA

ORDER NO: TGI-3-85

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

IN THE MATTER OF an application by Trans Québec & Maritimes Pipeline Inc. for an order respecting tolls specified in a tariff pursuant to Part IV of the Act, filed with the Board under File No. 1562-T28-4.

BEFORE the Board on Wednesday the 31st day of January 1985.

WHEREAS by Order No. TG-7-84 dated 9 August 1984 the Board established tolls to be charged by Trans Québec & Maritimes Pipeline Inc. (hereinafter called "TQM") effective 1 August 1984;

AND WHEREAS by letter dated 13 December 1984 TQM has advised the Board that it intends to file an application for new tolls effective 1 January 1985;

AND WHEREAS by the same letter dated 13 December 1984 TQM has requested that an interim order be issued by the Board declaring that the monthly toll approved by Board order No. TG-7-84 be an interim toll effective 1 January 1985;

AND WHEREAS the Board has considered the submissions of interested parties;

AND WHEREAS the Board considers it desirable to grant the order requested effective 1 February 1985;

IT IS ORDERED THAT:

1. The toll established by and the tariff filed in accordance with Order No. TG-7-84 shall be an interim toll and tariff.
2. This interim order shall come into force on 1 February 1985 and remain in effect only until the Board issues its final order with respect to TQM's forthcoming application for new tolls.

Dated at the City of Ottawa in the Province of Ontario, this 31st day of January 1985.

NATIONAL ENERGY BOARD

G. Yorke Slader
Secretary

Appendix II

Order TG-1-85

NATIONAL ENERGY BOARD

OFFICE NATIONAL DE L'ÉNERGIE

CANADA
Order No. TG-1-85

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

AND IN THE MATTER OF an application by Trans Québec & Maritimes Pipeline Inc. ("TQM") made under Part IV of the Act for certain orders respecting tolls and tariffs filed with the Board under file no. 1562-T28-5.

B E F O R E: R.F. Brooks,
 Presiding Member

R.B. Horner,
Member

A.B. Gilmour,
Member

WHEREAS an application dated 22 February 1985 was made by TQM for approval by the Board, effective 1 February 1985, of a fixed transportation toll for transmission by TQM of natural gas through its transmission system;

AND WHEREAS by Order No. TG-7-84, dated 9 August 1984, the Board ordered TQM to charge, in respect of the transportation service provided to TransCanada PipeLines Limited, a monthly toll of \$7.539 million commencing 1 August 1984;

AND WHEREAS by Order No. TGI-3-85, dated 31 January 1985, the Board ordered that, effective 1 February 1985, the toll established by and the tariff filed in accordance with order No. TG-7-84 be an interim toll and an interim tariff;

AND WHEREAS, pursuant to Board Order No. RH-4-85, as amended by Board order No. AO-1-RH-4-85, the Board examined and considered the written evidence and submissions of TQM and all interested parties with respect to the said application;

IT IS ORDERED THAT:

1. TQM shall charge, in respect of its Transportation Service provided to TransCanada PipeLines Limited, a monthly toll of \$7.216 million commencing 1 September 1985;

2. TQM shall refund to TransCanada PipeLines Limited on 31 August 1985 the amount of \$2,336,000, being the part of the tolls charged by TQM under Board Order No. TGI-3-85 that is in excess of the tolls determined by the Board to be just and reasonable together with interest thereon. This amount is comprised of principal in the amount of \$2,261,000, and interest in the amount of \$75,000, calculated using the rate of return on rate base;
3. TQM shall, as soon as possible after receipt of the forthcoming Reasons for Decision on the said application, file with the Board and serve upon all parties to the proceedings held pursuant to Board Order No. RH-4-85, as amended, a Gas Transportation Tariff incorporating the toll set out in paragraph 1 and in conformity with the decisions outlined in the forthcoming Reasons for Decision on the said application;
4. Those provisions of TQM's tariffs which specify a toll other than the toll specified in paragraph 1 are hereby disallowed, such disallowance to be effective on 31 August 1985.

DATED at the City of Ottawa, in the Province of Ontario, this 20th day of August 1985.

NATIONAL ENERGY BOARD,

G. Yorke Slader,
Secretary

Appendix III

Approved Average Rate Base

Table a3-1
Trans Québec & Maritimes Pipeline Inc.
Approved Average Rate Base for The Test Period
1 January 1985 to 31 December 1985
(\$000)

	<u>1 January</u>	<u>31 January</u>	<u>28 February</u>	<u>31 March</u>	<u>30 April</u>	<u>31 May</u>	<u>30 June</u>	<u>31 July</u>	<u>31 August</u>	<u>30 September</u>	<u>31 October</u>	<u>30 November</u>	<u>31 December</u>	<u>Average</u>
<u>Plant</u>														
Gas Plant in Service	468,704	468,994	469,291	469,646	469,981	470,353	470,642	470,819	470,945	471,123	471,339	471,599	471,807	470,404
Accumulated Depreciation	(23,733)	(24,974)	(26,423)	(27,873)	(29,324)	(30,775)	(32,228)	(33,682)	(35,136)	(36,590)	(38,044)	(39,499)	(40,957)	(32,249)
Net Gas Plant	<u>444,971</u>	<u>444,020</u>	<u>442,868</u>	<u>441,773</u>	<u>440,657</u>	<u>439,578</u>	<u>438,414</u>	<u>437,137</u>	<u>435,809</u>	<u>434,533</u>	<u>433,295</u>	<u>432,100</u>	<u>430,850</u>	<u>438,155</u>
<u>Working Capital</u>														
Cash	672	672	672	672	672	672	672	672	672	672	672	672	672	672
Plant Materials	372	372	373	373	375	375	377	377	379	379	381	381	382	377
Line Pack Gas	613	613	613	613	613	613	613	613	613	613	613	613	613	613
Prepayments	376	491	598	604	711	668	836	733	631	525	423	324	223	549
Downscaling	<u>3,378</u>	<u>3,276</u>	<u>3,176</u>	<u>3,214</u>	<u>3,098</u>	<u>2,981</u>	<u>2,870</u>	<u>2,753</u>	<u>2,675</u>	<u>2,524</u>	<u>2,368</u>	<u>2,217</u>	<u>2,108</u>	<u>2,818</u>
	<u>5,411</u>	<u>5,424</u>	<u>5,432</u>	<u>5,476</u>	<u>5,469</u>	<u>5,309</u>	<u>5,368</u>	<u>5,148</u>	<u>4,970</u>	<u>4,713</u>	<u>4,457</u>	<u>4,207</u>	<u>3,998</u>	<u>5,029</u>
<u>Other Rate Base Items</u>														
Tax Benefit on Sponsors' Development Costs	(14,905)	(14,869)	(14,833)	(14,797)	(14,761)	(14,725)	(14,689)	(14,653)	(14,617)	(14,581)	(14,545)	(14,509)	(14,473)	(14,689)
Rate Base	<u>435,477</u>	<u>434,575</u>	<u>433,467</u>	<u>432,452</u>	<u>431,365</u>	<u>430,162</u>	<u>429,093</u>	<u>427,632</u>	<u>426,162</u>	<u>\$424,665</u>	<u>\$423,207</u>	<u>\$421,798</u>	<u>\$420,375</u>	<u>\$428,495</u>

Appendix IV

Approved Average Gas Plant in Service

Table a4-1
Trans Québec & Maritimes Pipeline Inc.
Approved Average Gas Plant in Service for the Test Period
1 January 1985 to 31 December 1985
(\$000)

NEB Account Number	1 January	31 January	28 February	31 March	30 April	31 May	30 June	31 July	31 August	30 September	31 October	30 November	31 December	Average GPIS
401 Franchises & Consents	21,295	21,295	21,295	21,295	21,295	21,295	21,295	21,295	21,295	21,295	21,295	21,295	21,295	21,295
402 Project Costs GC-65/GC-68	7,496	7,496	7,496	7,496	7,496	7,496	7,496	7,496	7,496	7,496	7,496	7,496	7,496	7,496
402 Other Project Costs	5,199	5,199	5,199	5,199	5,199	5,199	5,199	5,199	5,199	5,199	5,199	5,199	5,199	5,199
460 Land	1,469	1,492	1,516	1,535	1,554	1,574	1,593	1,613	1,631	1,649	1,667	1,676	1,696	1,590
461 Land Rights	20,034	20,289	20,544	20,875	21,130	21,385	21,639	21,731	21,822	21,913	22,004	22,091	22,175	21,356
463 Measuring & Regulating	4,715	4,715	4,715	4,715	4,715	4,732	4,732	4,761	4,766	4,766	4,766	4,813	4,859	4,753
464 Other Structures & Improvements	-	-	-	-	-	71	71	76	76	76	76	76	76	46
465 Mains	393,298	393,297	393,296	393,294	393,293	393,291	393,290	393,304	393,303	393,372	393,399	393,417	393,457	393,332
467 Measuring Equipment	7,780	7,780	7,780	7,780	7,821	7,821	7,830	7,830	7,843	7,843	7,914	8,008	8,008	7,849
468 Communication Structures	440	440	440	440	440	453	453	453	453	453	453	453	453	448
482 Structures & Improvements	2,468	2,472	2,476	2,476	2,476	2,476	2,476	2,476	2,476	2,476	2,476	2,476	2,476	2,475
483 Office Furniture & Equipment	2,425	2,425	2,431	2,431	2,431	2,431	2,431	2,431	2,431	2,431	2,431	2,431	2,431	2,430
484 Transport Equipment	624	624	624	624	624	632	632	632	632	632	632	632	632	629
485 Heavy Work Equipment	909	909	909	909	909	909	909	909	909	909	909	909	909	909
486 Tools & Work Equipment	949	958	967	974	978	985	993	1,010	1,010	1,010	1,019	1,024	1,042	994
489 Other Equipment	481	481	481	481	481	481	481	481	481	481	481	481	481	481
Amount Disallowed for Boisbriand Sales Meter Station in June 1983 Reasons for Decision ¹	(1,033)	(1,033)	(1,033)	(1,033)	(1,033)	(1,033)	(1,033)	(1,033)	(1,033)	(1,033)	(1,033)	(1,033)	(1,033)	(1,033)
Construction Warehouse	<u>155</u>	<u>155</u>	<u>155</u>	<u>155</u>	<u>155</u>	<u>155</u>	<u>155</u>	<u>155</u>	<u>155</u>	<u>155</u>	<u>155</u>	<u>155</u>	<u>155</u>	<u>155</u>
	468,704	468,994	469,291	469,646	469,981	470,353	470,642	470,819	470,945	471,123	471,339	471,599	471,807	470,404

1 The total cost of the Boisbriand Sales Meter Station is included in GPIS, but the NEB has disallowed \$1,033,000 of the cost for toll purposes. Accordingly, GPIS, accumulated depreciation and depreciation expense have been reduced on Appendices IV, V and VI respectively.

Appendix V

Approved Accumulated Depreciation and Amortization

Table a5-1
Trans Québec & Maritimes Pipeline Inc.
Approved Accumulated Depreciation and Amortization Expense for the Test Period
1 January 1985 to 31 December 1985
(\$000)

NEB Account Number	1 January	31 January	28 February	31 March	30 April	31 May	30 June	31 July	31 August	30 September	31 October	30 November	31 December	Test Year Average
<u>Accumulated Depreciation</u>														
461 Land Rights	853	899	945	992	1,040	1,088	1,137	1,187	1,237	1,287	1,337	1,387	1,438	1,141
463 Measuring & Regulating	248	262	276	290	304	318	332	346	360	374	388	402	416	332
465 Mains	17,571	18,472	19,373	20,274	21,175	22,076	22,977	23,878	24,779	25,680	26,581	27,483	28,386	22,977
467 Measuring Equipment	410	433	456	479	502	525	548	571	594	617	640	663	687	548
468 Communication Structures	(2)	2	6	10	14	18	22	26	30	34	38	42	46	22
482 Structures & Improvements	596	617	638	659	680	701	722	743	764	785	806	827	848	722
483 Office Furniture & Equipment	480	494	508	522	536	550	564	578	592	606	620	634	648	564
484 Transport Equipment	(163)	(153)	(143)	(133)	(123)	(113)	(102)	(91)	(80)	(69)	(58)	(47)	(36)	(101)
485 Heavy Work Equipment	181	189	197	205	213	221	229	237	245	253	261	269	277	229
486 Tools & Work Equipment	155	161	167	173	179	185	191	197	203	209	215	221	227	191
489 Other Equipment	108	112	116	120	124	128	132	136	140	144	148	152	156	132
Amount Disallowed for Boisbriand Sales Meter Station in June 1983 Reasons for Decision *	(54)	(57)	(60)	(63)	(66)	(69)	(72)	(75)	(78)	(81)	(84)	(87)	(90)	(72)
	<u>20,383</u>	<u>21,431</u>	<u>22,479</u>	<u>23,528</u>	<u>24,578</u>	<u>25,628</u>	<u>26,680</u>	<u>27,733</u>	<u>28,786</u>	<u>29,839</u>	<u>30,892</u>	<u>31,946</u>	<u>33,003</u>	<u>26,685</u>
<u>Accumulated Amortization</u>														
401 Franchises & Consents	1,318	1,367	1,416	1,465	1,514	1,563	1,612	1,661	1,710	1,759	1,808	1,857	1,906	1,612
402 Project Costs GC-65/GC-68	-	-	208	416	624	832	1,040	1,248	1,456	1,664	1,872	2,080	2,288	1,056
402 Other Project Costs	2,032	2,176	2,320	2,464	2,608	2,752	2,896	3,040	3,184	3,328	3,472	3,616	3,760	2,896
	<u>3,350</u>	<u>3,543</u>	<u>3,944</u>	<u>4,345</u>	<u>4,746</u>	<u>5,147</u>	<u>5,548</u>	<u>5,949</u>	<u>6,350</u>	<u>6,751</u>	<u>7,152</u>	<u>7,553</u>	<u>7,954</u>	<u>5,564</u>
Total Accumulated Depreciation & Amortization	<u>23,733</u>	<u>24,974</u>	<u>26,423</u>	<u>27,873</u>	<u>29,324</u>	<u>30,775</u>	<u>32,228</u>	<u>33,682</u>	<u>35,136</u>	<u>36,590</u>	<u>38,044</u>	<u>39,499</u>	<u>40,957</u>	<u>32,249</u>

* See note 1, Appendix IV.

Appendix VI

Approved Monthly Depreciation and Amortization Expense

Table a6-1
Trans Québec & Maritimes Pipeline Inc.
Approved Monthly Depreciation and Amortization Expense for the Test Period
1 January 1985 to 31 December 1985
(\$000)

NEB Account Number	January	February	March	April	May	June	July	August	September	October	November	December	Total
<u>Depreciation</u>													
461 Land Rights	46	46	47	48	48	49	50	50	50	50	50	51	585
463 Measuring & Regulating	14	14	14	14	14	14	14	14	14	14	14	14	168
465 Mains	901	901	901	901	901	901	901	901	901	901	902	902	10,814
467 Measuring Equipment	23	23	23	23	23	23	23	23	23	23	23	24	277
468 Communication Structures	4	4	4	4	4	4	4	4	4	4	4	4	48
482 Structures & Improvements	21	21	21	21	21	21	21	21	21	21	21	21	252
483 Office Furniture & Equipment	14	14	14	14	14	14	14	14	14	14	14	14	168
484 Transport Equipment	10	10	10	10	10	11	11	11	11	11	11	11	127
485 Heavy Work Equipment	8	8	8	8	8	8	8	8	8	8	8	8	96
486 Tools & Work Equipment	6	6	6	6	6	6	6	6	6	6	6	6	72
489 Other Equipment	4	4	4	4	4	4	4	4	4	4	4	4	48
Amount Disallowed for Boisbriand Sales Meter Station in June 1983 Reasons for Decision *	<u>(3)</u>	<u>(3)</u>	<u>(3)</u>	<u>(3)</u>	<u>(3)</u>	<u>(3)</u>	<u>(3)</u>	<u>(3)</u>	<u>(3)</u>	<u>(3)</u>	<u>(3)</u>	<u>(3)</u>	<u>(36)</u>
	<u>1,048</u>	<u>1,048</u>	<u>1,049</u>	<u>1,050</u>	<u>1,050</u>	<u>1,052</u>	<u>1,053</u>	<u>1,053</u>	<u>1,053</u>	<u>1,053</u>	<u>1,054</u>	<u>1,056</u>	<u>12,619</u>
<u>Amortization</u>													
401 Franchises & Consents	49	49	49	49	49	49	49	49	49	49	49	49	588
402 Project Costs GC-65/GC-68	208	208	208	208	208	208	208	208	208	208	208	208	2,288
402 Other Project Costs	144	144	144	144	144	144	144	144	144	144	144	144	1,728
Downscaling	196	196	196	196	196	196	196	196	196	196	196	196	2,352
Deferred Toll Hearing Expense	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>	<u>264</u>
	<u>619</u>	<u>619</u>	<u>619</u>	<u>619</u>	<u>619</u>	<u>619</u>	<u>619</u>	<u>619</u>	<u>619</u>	<u>619</u>	<u>619</u>	<u>619</u>	<u>7,220</u>
	<u>1,667</u>	<u>1,667</u>	<u>1,668</u>	<u>1,669</u>	<u>1,669</u>	<u>1,671</u>	<u>1,672</u>	<u>1,672</u>	<u>1,672</u>	<u>1,672</u>	<u>1,673</u>	<u>1,675</u>	<u>19,839</u>

* See note 1, Appendix IV.