

CHAPTER 7 – CAPITAL EXPENDITURE AND FINANCIAL FORECAST**7.1 Introduction**

Capital expenditure and financial forecasts included in this Annual Plan are based upon the July 2004 design forecast and design assumptions outlined elsewhere in the Annual Plan. The forecasts are subject to revision and are dependent upon the approval and timing of downstream expansion projects and Customer applications for service.

This chapter includes data for the years 2004 and 2005. During 2004 NGTL operated under rates that were calculated based on the negotiated approved revenue requirement from the 2003 Alberta System Revenue Requirement Settlement plus adjustments. For the year 2005 data is as per the 2005 General Rate Application - Phase 1. This chapter does not include a forecast of capital expenditures for 2006 for the facilities contained in this Annual Plan or the impact on the revenue requirement and rates for 2006.

7.2 Capital Expenditure Forecast

NGTL's forecast of capital expenditures in 2005, including the facilities requirements identified in this Annual Plan, is provided in Table 7.2.1. This table also shows forecast capital expenditures for 2004. The table is segmented into capacity capital, including mainline expansion, receipt and delivery facilities, and retirements, and system maintenance and general plant. The figures are presented on a calendar year basis and are rounded to the nearest \$5 million.

The firm transportation design process identifies facilities requirements for the 2005/06 Gas Year and the winter season of the 2006/07 Gas Year. The costs associated with the facilities requirements for the 2005/06 Gas Year and the winter season of the 2006/07 Gas Year will generally occur in the 2005 and 2006 calendar years.

Table 7.2.1
Capital Expenditure Forecast
(\$ millions)

	2004	2005
Capacity Capital		
Mainline Expansion	70	40
Receipt and Delivery	10	10
Retirements	0	5
System Maintenance and General Plant	20	20
Total	100	75

7.3 Financial Forecast

Financial information, including forecasts of NGTL's revenue requirements and firm transportation demand rates, associated with 2004 and 2005 is provided in Table 7.3.1. Also included are forecasts of system annual throughput and ex-Alberta firm transportation unit cost for the years 2004 and 2005. The amounts for investment base and for revenue requirement are rounded to the nearest \$5 million.

Table 7.3.1
Financial Forecast
(\$ millions)

	2004	2005
Investment Base (December 31)	4,545	4,350
Revenue Requirement ¹	1,255	1,170
System Annual Throughput (tcf) ²	3.94	3.98
Unit Volume Cost (¢/mcf)	31.0	30.4
Monthly Average Firm Transportation Receipt Demand Rate (\$/mcf) ³	5.31	4.81
Monthly Firm Transportation Delivery Demand Rate (\$/mcf)	5.31	4.81
Ex-Alberta Average Firm Transportation Unit Cost (¢/mcf) ⁴	34.8	31.6

1 The 2005 revenue requirement is based on the applied for revenue requirement in the 2005 General Rate Application - Phase 1. The 2004 revenue requirement is based on the latest forecast for 2004 as filed in the 2005 General Rate Application - Phase 1.

2 Throughput includes fuel gas.

3 Based on a 3 year term.

4 The forecast of ex-Alberta firm transportation unit cost assumes a one to one receipt to delivery ratio at a 100% load factor and is based on the average 3 year firm transportation receipt rate and the firm transportation delivery rate.