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VIA FACSIMILE

December 12, 2005

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

Dear Mr. Mantha;

**Re: Niagara Gas Transmission Limited;
Ottawa River Facilities;
Tolls – Related Information**

I am writing on behalf of Niagara Gas Transmission Limited ("Niagara Gas") in relation to the Tariff for the Ottawa River Facilities, which was filed with you (five copies) by letter dated March 3, 1997. Gazifère Inc. is the only shipper on the Ottawa River Facilities.

In accordance with Section 4.1 and 4.2 of the Toll Schedules (tab 2 of the tariff binder, pages 5 and 6), Niagara Gas is required to provide certain toll-related information, in relation to the Ottawa River Facilities, prior to each Toll Year. The following information pertains to the Toll Year commencing January 1, 2006:

- Estimated Cost of Service: \$1,644,993
- Monthly Cost of Service: \$ 137,083
- Shipper's Allocable share-
Gazifère Inc. 100%
- Shipper's Allocable share
Gazifère Inc. \$ 137,083

For the Board's information, the Estimated Cost of Service includes a return on rate base using a rate of return of 9.40 percent. This rate of return is determined in accordance with the formula set out in Section 5.8(a) of the Toll Schedule, based on the following values for the factors in the formula.

- x is 60 percent (unchanged)
- y is 40 percent (unchanged)
- D_c is 8.34 percent (unchanged)
- E_c is 11.00 percent (unchanged).

The value of E_c (rate of return on common equity) is subject to approval by the board of directors of Niagara Gas. Similarly, the administrative, operating, and maintenance expenses that are included in the Estimated Cost of Service, *per* Section 5.3 of the Toll Schedule (page 6), are based on a budget that is subject to approval by the board of directors of Niagara Gas.

Nevertheless, the Estimated Cost of Services is "a reasonable projection of the various costs components that would comprise that Actual Cost of Service in the Toll Year in accordance with Article 5 (of the Toll Schedule)", as required by Section 4.1 of the Toll Schedule (page 5). In any event, Sections 3.4 and 3.5 of the Toll Schedule (page 5) deal with variances between the Actual Cost of Service and the Estimated Costs of Service for the Toll Year.

Yours very truly,



David Stevens
Acting Senior Legal Counsel, Regulatory

cc: Gazifère Inc.
Lucie Vandal-Parent
Assistant General Manager