

Gas Transmission Northwest Corporation

Docket No. RP06-
Statement F-1

Statement of Rate of Return Claimed

The total return included in Gas Transmission Northwest Corporation's cost of service shown in Statement A herein is based on a rate of return of 11.33% applied to the net investment rate base for the test period ending December 31, 2006. Gas Transmission Northwest believes the 11.33% rate of return is, at the time of this filing, the minimum required to allow the Company to attract capital commensurate with returns being earned on investments of comparable risks, with due consideration to present economic conditions.

As shown on Statement F-2, the embedded cost of debt is 5.96%. Based on that 5.96% rate, an overall rate of return of 11.33% would allow Gas Transmission Northwest's equity, which comprises 62.99% of the total capitalization as of December 31, 2006, the opportunity to earn a rate of return of 14.50%. The testimony and exhibits supporting the fair rate of return will indicate the 11.33% overall rate of return and the resulting return on equity constitute fair return levels.