

## Summary of O&amp;M and A&amp;G Adjustments

**Adjustment No. 1 - 850 Supervision and Engineering**

The reduction in costs is primarily due to reduced headcounts, certain base year costs are now included in FERC Account 853 offset by annual salary increases and vacation adjustments.

No	Description	Adjustment
850	Salaries	(2,054,711)
	Materials and Other	(377,254)
	Gas Compressor Station Fuel	<u>(2,431,965)</u>

**Adjustment No. 2 - 851 System Control and Load Dispatching**

Annual salary adjustments plus changes in the vacation accounting are the primary reasons for the increase in salaries in FERC Account 851.

No	Description	Adjustment
851	Salaries	166,287
	Materials & Other	346,812
		<u>513,099</u>

**Adjustment No. 3 - 852 Communication System Expenses**

The adjustment reflects the consolidation of telephones, cellular devices, lease circuits and microwave systems into the centralized Telecom group. Lease circuits and microwave systems were previously managed with terminated internal labour in FERC Account 850 Field Operations.

No	Description	Adjustment
852	Telecom	<u>228,416</u>

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**Adjustment No. 4 - 853 Compressor Station Labour and Expenses**

Reallocation of FERC Account 850 efforts due to refined compressor operation and maintenance activities after the start up period.

No	Description	Adjustment
853	Salaries	1,539,240
	Materials	1,180,938
		<u>2,720,178</u>

**Adjustment No. 5 - 854 Gas For Compressor Station Fuel**

Adjustment eliminates the cost of shipper gas used for compressor fuel. An offsetting credit is recorded in FERC Account 810.

No	Description	Adjustment
854	Gas Compressor Station Fuel	<u>(25,849,969)</u>

**Adjustment No. 6 - 859 Other Expenses**

The adjusted amount represents the odorant costs for the test period only. All other costs are included in FERC Accounts 850 and 853.

No	Description	Adjustment
859	Mains Expenses	<u>(429,704)</u>

**Adjustment No. 7 - Transmission Expense Adjustments Less than \$100,000**

These costs are now included in FERC Account 850.

No	Description	Adjustment
856	Mains Expenses	(18,601)
857	Measuring and Regulating Station Expenses	4,660
860	Rents	12,921
		<u>(1,020)</u>

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**Adjustment No. 8 - 863 Maintenance of Mains**

See Direct Testimony of GTN Witness Dan King		
No	Description	Adjustment
863	Pipe Integrity Program	9,975,138

**Adjustment No. 9 - 864 Maintenance of Compressor Station Equipment**

See Direct Testimony of GTN Witness Dan King		
No	Description	Adjustment
864	Repair and Overhaul Program	2,230,519

**Adjustment No. 10 - Maintenance Expenses Adjustments Less Than \$100,000**

These costs are now included in FERC Account 850.		
No	Description	Adjustment
862	Structures and Improvements	(4,604)
865	Measurement and Regulating Station Equipment	(39,172)
866	Communication Equipment	(13,279)
867	Other Equipment	(15,526)
		(72,581)

## Summary of O&amp;M and A&amp;G Adjustments

**Adjustment No. 11 - 920 Administrative and General Salaries**

The base period costs include severance costs incurred as a result of the integration with TCPL and are directly related to GTN.

No	Description	Adjustment
920	Severance	(3,050,813)
	Other	8,249
		<u>(3,042,564)</u>

**Adjustment No. 12 - 921 A&G Office Supplies and Expenses**

These adjustments are primarily due to the amortization of the regulatory asset included on Statement B-2 for the 1995 corporate relocation from San Francisco and Spokane to Portland.

No	Description	Adjustment
921	Corporate Relocation Amortization	1,724,025
	Other	(163,568)
		<u>1,560,457</u>

**Adjustment No. 13 - 922 Administrative Expenses Transferred**

The increase in the recoveries is primarily due to the changes in G&A costs allocated to North Baja.

No	Description	Adjustment
922	Allocations to North Baja	<u>(470,376)</u>

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**Adjustment No. 14 - 923 Outside Services Employed**

These adjustments reflect primarily charges due to the functional support service approach of TransCanada. The increase in Long Term Compensation is due to the participation of the GTN employees in TransCanada's long term compensation program. The severance adjustment represents GTN's share based on FTE allocation of the overall corporate severance costs and represents the likely severance cost GTN will incur on a year-to-year-basis.

No	Description	Adjustment
923	Long Term Compensation	1,178,554
	Severance	1,153,715
	Timing Differences on Jan-Mar 2005 Allocations	(681,377)
	Departmental, General Expenses and Other	737,344
	Total Corporate Allocations	2,388,236
	Other Direct	131,205
		<u>2,519,441</u>

**Adjustment No. 15 - 924 Property Insurance**

This adjustment reflects the anticipated premium increase for property insurance due to existing market conditions.

No	Description	Adjustment
924	Property Insurance	<u>125,796</u>

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**Adjustment No.16 - 926 Employee Pension and Benefits**

The increases in this account can be attributed to the amortization of prior years pension funding that was included as a regulatory asset shown on Statement B-2. The allowance for pension funding of \$2,480,857 is based on an actuarial assessment and accordingly a cash contribution will be made to the pension fund before the end of the test period. Further, based on the level of under funding of the pension plan, the 2006 payment will be indicative of the immediate future contributions.

Account No	Description	Adjustment
926	Pension Funding Amortization due to prior years funding	1,717,625
	Pension Funding based on actuarial assessment	2,480,857
	Other	222,542
		<u>4,421,024</u>

**Adjustment No. 17 - 928 Regulatory Commission Expenses**

Adjustment eliminates non recurring FERC fee collected separately via ACA rate surcharge set forth in Section 16 of the General Terms and Conditions of the FERC Gas Tariff offset by annual amortization charge of the 2006 rate case costs which are amortized over 5 years.

Account No	Description	Adjustment
928	FERC Fees	(1,348,124)
	Amortization of 2006 Rate Case costs	800,000
	Other	(166,328)
		<u>(714,452)</u>

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**Adjustment No. 18 - 930 Miscellaneous General Expenses**

This adjustment includes various amortizations discussed in detail in the Direct Testimony of Amy Leong, which demonstrates that these adjustments are offset by lower relocation and membership costs which are now included in the corporate costs charged to FERC Account 923.

Account No	Description	Adjustment
930	Inventory Write Off Amortization	236,178
	Caminus (Transaction Management System) Amortization	2,228,305
	Gain on Linepack Sales Amortizations	(957,513)
	Other	(406,041)
		<u>1,100,929</u>

**Adjustment No. 19 - A&G Adjustments Less than \$100,000**

This adjustment is primarily due to savings from a new sublease in the Portland head office offset by anticipated premium increases in insurance.

Account No	Description	Adjustment
931	Sublease	(80,436)
925	Injuries and Damages	18,218
932	Ground Maintenance	2,030
		<u>(60,188)</u>