

## NORTHERN BORDER PIPELINE COMPANY

### Rate of Return Claimed

The total return included in Northern Border Pipeline Company's cost of service shown in Statement A herein is based on a rate of return of 10.56% applied to the net investment rate base for the test period ending April 30, 2006. Northern Border Pipeline Company believes the 10.56% 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 7.01%. Based on that 7.01% rate, an overall rate of return of 10.56% would allow Northern Border Pipeline Company's equity, which comprises 49.27% of the total capitalization as of July 31, 2005, as adjusted to April 30, 2006, the opportunity to earn a rate of return of 14.20%. The testimony and exhibits supporting the fair rate of return will indicate the 10.56% overall rate of return and the resulting return on equity constitute fair return levels.

The Company believes that the allowed fair rate of return must reflect investor return requirements under current capital market conditions. The claimed rate of return of 10.56% falls within a minimum range of the composite cost of capital based on embedded costs and reflects a return on equity component, which is fully supported by Statement P.