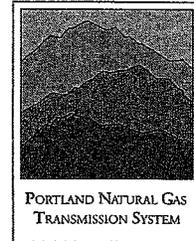


Portland Natural Gas Transmission System

One Harbour Place
Suite 375
Portsmouth, NH 03801

Telephone: 603/559-5500
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April 1, 2008

Ms. Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: Portland Natural Gas Transmission System
Docket No. RP08-_____

Dear Ms. Bose:

Pursuant to Section 4(e) of the Natural Gas Act, as amended, and Subpart D of Part 154 of the Federal Energy Regulatory Commission's (Commission or FERC) Regulations and the order approving the Stipulation and Agreement (Settlement) in Docket No. RP02-13,¹ Portland Natural Gas Transmission System (PNGTS) hereby submits the attached revised tariff sheets to be included in its FERC Gas Tariff, Second Revised Volume No. 1. The tariff sheets identified on Appendix A are PNGTS' Primary Tariff Sheets proposed in the instant filing to become effective as soon as a suspension period (if any) concludes with respect to the instant filing. PNGTS has also filed certain Pro Forma Tariff Sheets that are listed in Appendix B that would be effective on a prospective basis following a Commission order on the merits or a settlement of this proceeding.

In accordance with Section 154.7(a)(6) of the Commission's Regulations, the following contains the "Statement of Nature, Reasons and Basis" of PNGTS for the instant filing.

Statement of Nature, Reasons and Basis

PNGTS is filing the instant general rate case at this time in accordance with the Settlement Order, which noted that pursuant to the Settlement's provisions "PNGTS will file a rate case under Section 4 of the Natural Gas Act no sooner than and no later than, April 1, 2008." 102 FERC ¶ 61,026 at P 6.

In this filing, PNGTS is increasing its base transportation rates, also known as the maximum recourse transportation rates. PNGTS faces significantly increased risks relative to those that were in existence when Docket No. RP02-13 was resolved and greater risks than those currently faced by other pipelines. The heightened risks encountered by PNGTS include, among

¹ *Portland Natural Gas Transmission System*, 102 FERC ¶ 61,026 (2003) (Settlement Order).

other things, changes in supply factors, unsubscribed capacity, shortened contract terms, and changes in the pipeline infrastructure serving PNGTS' market areas. In order to address its heightened risks, PNGTS is proposing in this proceeding to increase its return on equity to 14.75%,² as well as change its rate design for short term services to more effectively recognize the market and supply realities that it faces.

The attached Statement P, in Volume II of this filing, contains prepared direct testimony and exhibits that support PNGTS' Primary and Pro Forma Tariff Sheets. Set out below is a summary of some of the principal topics addressed by each of PNGTS' witnesses:

Witness	Testimony
David J. Haag	Business risks; short-term service rates; pro forma tariff sheets; satisfaction of at-risk condition; Statements G, J and O and their accompanying Schedules and Schedule I-5
Paul R. Moul	Range of return on equity
Al Lovinger	Cost of service, including levelization; levelized and pro forma rate models
John Reed	PNGTS' posture in the market
Scott Sieppert	Gas plant in service; Statements and Schedules A through F and H through I (except for Schedule I-5), and Statements L and M
Barry Sullivan	Depreciation; design of rates for short term service; industry risk
James Taylor	Negative salvage cost study

PNGTS' proposed rates are consistent with the Commission's policy and implement Commission-approved practices. PNGTS continues to design rates using the Commission's straight fixed variable (SFV) method for classifying costs between the fixed and variable cost categories. PNGTS also has functionalized and allocated costs consistent with Commission guidelines.

² PNGTS notes that the Commission has issued a proposed policy statement at Docket No. PL07-2 regarding the Composition of Proxy Groups for Determining Gas and Oil Pipeline Return on Equity (120 FERC ¶ 61,068 (2007)). PNGTS reserves its rights to supplement its case and address any developments that arise as the result of a Commission action in Docket No. PL07-2.

Reasons Demonstrating the Need to Increase Rates

PNGTS' cost of service and determination of rates reflect the costs and throughput for the Base Period (twelve months ended December 31, 2007), and as adjusted through the Test Period ending September 30, 2008. The effect of the proposed Primary Tariff Sheet rates is an increase in Rate Schedule FT unit recourse rates of approximately 6% relative to those presently in effect. The unit rate impact of placing the Pro Forma Tariff Sheets into effect is an increase of about 6% over rates contained in the Primary Tariff Sheets. Compared to values either explicitly established in, or implicitly underlying, the Docket No. RP02-13 Settlement, the attached Primary Tariff Sheets reflect an increase of approximately \$5.6 million in the cost of service, approximately \$1 million in rate base, and approximately 5,000 Dth/d in billing determinants.

The major reasons for the rate increase include the following:

1. Capitalization and Increased Return on Equity

The proposed rates incorporate an overall cost of capital of 10.20 percent, based on PNGTS' actual, stand alone, capitalization. PNGTS' filed overall rate of return is as follows:

	<u>Capitalization Ratio</u>	<u>Cost</u>	<u>Weighted Cost</u>
Long Term Debt	52.24%	6.046%	3.16%
Equity	47.76%	14.75%	7.04%
Overall Rate of Return			10.20%

PNGTS witness Sieppert addresses the use of PNGTS' actual capital structure for the purposes of calculating PNGTS' return allowance. PNGTS issues its own non-guaranteed debt and has an equity ratio that is within the range of equity rates accepted by the Commission. PNGTS' cost of equity range is supported by PNGTS witness Paul R. Moul, who testifies that the range of reasonable equity allowances is from 13% to 15%. Based on the business and financial risks and circumstances faced by PNGTS as discussed by PNGTS witnesses Haag, Sullivan, Reed, and Moul, PNGTS has filed rates reflecting a return on equity of 14.75%.

2. Increased Depreciation Rates and Negative Salvage

The Docket No. RP02-13 Settlement requires that PNGTS' filing in this case recognize a 2% depreciation rate for transmission plant. PNGTS' filing satisfies that requirement. Additionally, PNGTS witness Sullivan sponsors a depreciation study showing that the pertinent sources of supply for PNGTS only support an average remaining life of 23 years and thus warrant an increase in PNGTS' depreciation rate. PNGTS witness Taylor supplies a terminal value study in support of witness Sullivan's recommendation of a 0.32% negative salvage rate.

Primary Tariff Sheets

PNGTS' proposed revisions to its Primary Tariff Sheets include a) revised base rates which reflect a revised cost of service; b) inclusion of a new Short Term Recourse Rate, along with conforming changes within the tariff to reflect the existence of the short term recourse rate; and c) a proposed crediting provision associated with PNGTS' proposal regarding rates for short term service.

The tariff sheets are described in the testimony of PNGTS witness Haag.

Pro Forma Tariff Sheets

The rates embodied in the Pro Forma Tariff Sheets reflect implementation of all of the changes requested by PNGTS, such as its equity return and adjustments to its cost of service, as well as a depreciation rate for transmission plant of 3.59%, in order to permit a systematic recovery of PNGTS' capital investment over the remaining useful life of the assets.

Motion to Place the Proposed Rates into Effect

PNGTS respectfully submits that good cause exists for eliminating the notice period as recognized by NGA Section 4(d), given that the filing's timing is mandated by the Docket No. RP02-13 Settlement and thus is not a surprise to PNGTS shippers.

PNGTS requests that the rates reflected in the attached Primary Tariff Sheets be placed into effect without suspension. However, to the extent the rates and tariff sheets incorporated in the instant filing are suspended, PNGTS pursuant to Section 154.7(a)(9) of the regulations herewith moves that the rates and Primary Tariff Sheets incorporated herein be placed into effect at the conclusion of the suspension period. PNGTS also requests that the tariff sheets contained in Appendix B be accepted for filing and placed into effect as the Commission directs. Further, PNGTS requests such other relief as necessary to achieve each of these results.

Request for Waiver and Other Commission Action

Pursuant to Section 154.7(a)(7) of the Commission's regulations, PNGTS respectfully requests that the Commission grant all waivers necessary to effectuate this filing. Specifically, PNGTS requests waiver of Section 154.207, if necessary to satisfy Article V of the Docket No. RP02-13 Settlement to place rates filed herein in effect in conformity with that Settlement. PNGTS also requests any other waiver of the Commission's regulations including those under Parts 154, 284 and 385, or any other Commission rule, order, policy or pronouncement, as necessary to implement the tariff sheets and collect the rates included as part of the instant filing. To the extent necessary PNGTS also requests waiver of Section 154.312 regarding Statements and/or Schedules which are not applicable (*e.g.*, H-1(2)(d)).

Electronic Filing Requirements

Pursuant to Section 154.4 of the Commission's regulations, this filing includes a computer disk containing all statements and schedules contained in this application in electronic media.

Materials Included in this Filing

Pursuant to Section 154.7, 154.201, *et seq.*, and 154.301 of the Commission's regulations, PNGTS has enclosed the original and twelve (12) copies of the following material:

Volume 1

- A. Transmittal Letter including Statement for Nature, Basis and Reasons for Filing;
- B. a Form of Federal Register Notice and one diskette containing a copy of the notice;
- C. A certificate of service;
- D. Statement of authorized accounting representative pursuant to §154.308 of the Commission's Regulations;
- E. Listing of Primary Tariff Sheets (Attached as Appendix A);
- F. Listing of Pro Forma Tariff Sheets (Attached as Appendix B);
- G. Primary Tariff Sheets (Filed and Marked Version) and one diskette containing the filed Primary Tariff Sheets (File Name: Primary Sheets - TF110105.ASC);
- H. Pro Forma Tariff Sheets (Clean and Marked Versions) and one diskette containing the Pro Forma Tariff Sheets (File Name: Pro Forma Tariff Sheets.ASC);
- I. Statements and Schedules A through J, L, M and O; and
- J. Supplemental Statements and Schedules H-1, H-1(1)(a), H-1(1)(b), H-1(2)(c), H-1(2)(e), H-1(2)(f), H-1(2)(g), H-1(2)(i) and H-1(2)(k).

Volume 2

Statement P – Prepared Direct Testimony/Exhibits

Correspondence

Correspondence and communications concerning this filing should be directed to:

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* Designated for service in accordance with Rule 203 of the Commission's Rules of Practice and Procedure. PNGTS requests the Commission waive Rule 203(b)(3) to allow three persons to be designated to receive service.

Ms. Kimberly D. Bose, Secretary

April 1, 2008

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The undersigned hereby certifies that he has read this filing and knows (i) the contents of the paper copies and electronic media; (ii) that the paper copies contain the same information as contained on the electronic media; (iii) that the contents as stated in the copies and on the electronic media are true to the best of his knowledge and belief; and (iv) that he possesses full power and authority to sign this filing.

Respectfully submitted,

A handwritten signature in black ink that reads "Carl Fink" followed by a stylized flourish.

Carl Fink

Associate General Counsel

Attachments

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Portland Natural Gas Transmission System)

Docket No. RP08- -000

NOTICE OF PROPOSED CHANGES IN FERC GAS TARIFF

Take notice that on April 1, 2008, Portland Natural Gas Transmission System (“PNGTS”) tendered for filing as part of First Revised Volume No. 1 of its FERC Gas Tariff, revised tariff sheets set forth in Appendix A (“Tariff Sheets”) to effectuate changes in the rates and terms applicable to PNGTS’ jurisdictional services. The effect of the proposed rates is an overall increase in revenues of approximately \$5.6 million in the cost of service over that underlying the Docket No. RP02-13 Settlement. The rates reflected in the Tariff Sheets are to be effective as soon as a suspension period (if any) concludes with respect to the instant filing. This rate case is filed in compliance with the Commission’s order approving the Stipulation and Agreement in Docket No. RP02-13-000 (93 FERC ¶ 61,261 (2000)). In addition, PNGTS tendered for filing Pro Forma Tariff Sheets (set forth in Appendix B) which reflect implementation of all proposals contained in PNGTS’ filing.

Any person desiring to intervene or to protest this filing must file in accordance with Rules 211 and 214 of the Commission’s Rules of Practice and Procedure (18 C.F.R. §§ 385.211 and 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a notice of intervention or motion to intervene, as appropriate. Such notices, motions, or protests must be filed in accordance with the provisions of Section 154.210 of the Commission’s regulations (18 C.F.R. § 154.210). Anyone filing an intervention or protest must serve a copy of that document on the Applicant. Anyone filing an intervention or protest on or before the intervention or protest date need not serve motions to intervene or protests on persons other than the Applicant.

The Commission encourages electronic submission of protests and interventions in lieu of paper using the “eFiling” link at <http://www.ferc.gov>. Persons unable to file electronically should submit an original and 14 copies of the protest or intervention to the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426.

This filing is accessible on-line at <http://www.ferc.gov>, using the “eLibrary” link and is available for review in the Commission’s Public Reference Room in Washington, D.C. There is an “eSubscription” link on the web site that enables subscribers to receive email notification when a document is added to a subscribed docket(s). For assistance with any FERC Online service, please email FERCOnlineSupport@ferc.gov, or call (866) 208-3676 (toll free). For TTY, call (202) 502-8659.

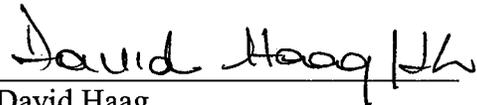
Kimberly D. Bose

Secretary

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused a copy of the foregoing document to be served upon all shippers on PNGTS' system and interested state regulatory commissions, in accordance with the requirements of Section 385.2010 of the Commission's Rules of Practice and Procedure.

Dated at Portsmouth, New Hampshire this 1st day of April, 2008.



David Haag

Manager, Rates and Regulatory Affairs

STATEMENT OF AUTHORIZED ACCOUNTING REPRESENTATIVE
RATE FILING OF PORTLAND NATURAL GAS TRANSMISSION SYSTEM
OF APRIL 1, 2008

TO THE FEDERAL ENERGY REGULATORY COMMISSION

I, Scott Sieppert, Manager, U.S. Pipeline Accounting, TransCanada PipeLines Limited which serves as the Operator of Portland Natural Gas Transmission System, do hereby represent that the cost statements and supporting data submitted as part of the above-mentioned filing by Portland Natural Gas Transmission System, together with working papers required therein, which purport to reflect the books of Portland Natural Gas Transmission System, do, in fact, set forth the results shown by such books.



Scott Sieppert
Manager, U.S. Pipeline Accounting
TransCanada PipeLines Limited

Dated: March 27, 2008

Appendix A
PNGTS' Primary Tariff Sheets

PNGTS FERC Gas Tariff
Second Revised Volume No. 1

Third Revised Sheet No. 100

Third Revised Sheet No. 101

Third Revised Sheet No. 102

First Revised Sheet No. 201

First Revised Sheet No. 204

First Revised Sheet No. 205

First Revised Sheet No. 306

First Revised Sheet No. 307

Appendix B
PNGTS Pro Forma Tariff Sheets

PNGTS FERC Gas Tariff
Second Revised Volume No. 1

Pro Forma Sheet No. 100
Pro Forma Sheet No. 101
Pro Forma Sheet No. 102