

Portland Natural Gas Transmission System
Rate of Return Claimed

Supporting Reasoning

Portland Natural Gas Transmission System (PNGTS) is proposing to utilize a 14.75% rate of return in its cost of service shown on Statement A. The capitalization shown on F-2 is a projection of capital through the end of the test period, September 30, 2008. The Test Period adjustment to Debt reflects the mandatory repayments of PNGTS's long term debt.

The overall rate of return reflects an allowance on common equity of 14.75%. See prepared direct testimony of PNGTS witness Haag.

PNGTS believes that the 14.75% rate of return is required in order to enable PNGTS to compete for the capital required to continue economical operation of the system without impairment of committed invested capital.