

**Portland Natural Gas Transmission System**

**Estimate of Cost Allocation to PNGTS using  
Modified Massachusetts Formula**

*The following calculation is illustrative of the overhead that would have been allocated to PNGTS by TransCanada had the Modified Massachusetts Formula been used:*

	<u>PNGTS</u> (Cdn \$)	<u>TC Total</u> (Cdn \$)	<u>PNGTS %</u>
Revenue	80,180,992	5,779,844,919	1.387%
Gross PP&E	420,714,732	30,840,953,838	1.364%
Labor	2,528,191	335,065,233	0.755%
Simple average			<u>1.169% A</u>

Costs to be allocated:

TransCanada total operating costs (Cdn \$)		1,124,756,000
Less direct costs (Cdn \$)		(986,577,000)
Total TransCanada overhead to be allocated (Cdn \$)		<u>138,179,000 B</u>
Overhead to be allocated to PNGTS (Cdn \$)	<b>A x B =</b>	<b>1,615,313</b>
Average Exchange Rate for 2007		<u>1.074</u>
Overhead to be allocated to PNGTS (US \$)		<u>1,504,015</u>
Corporate Overhead per H-1(2)(e) Supplemental		<u>757,590</u>

***Based on this comparison, PNGTS's operating costs would have been approximately \$746,425 higher if a Modified Massachusetts Formula-based allocation had been used for the Base Period.***