

National Energy
BoardOffice national
de l'énergieFile 4750-A000-11
6 December 2001

By Facsimile

To: Parties Named in the Attached Distribution List

Re: **Rate of Return on Common Equity (ROE) for 2002**

Pursuant to the ROE adjustment mechanism approved in the Multi-Pipeline Cost of Capital Decision (RH-2-94), revised on 14 March 1997 to eliminate rounding, the Board has approved a rate of return on common equity of 9.53 percent for the year 2002.

In arriving at its decision, the National Energy Board (the Board) relied upon a 10-year Government of Canada forecast bond yield of 5.15 percent (November 2001 Consensus Forecasts). To this forecast, the Board added 48 basis points, which was the average actual yield differential between the 10- and 30-year Government of Canada bonds observed during the month of October 2001 (Source: National Post). The above calculation produced a forecast long-term (30-year) Government of Canada bond yield of 5.63 percent for 2002, which is 10 basis points lower than the 5.73 percent forecast yield relied upon in the ROE calculation for 2001. The 10 basis point yield differential between the current and previous forecasts was multiplied by 0.75, producing a downward adjustment of 8 basis points to the 2001 approved ROE of 9.61 percent. Therefore, the ROE for 2002 is 9.53 percent.

Companies are directed to serve forthwith a copy of this letter on their shippers and interested parties.

Yours truly,

A handwritten signature in black ink, appearing to read 'M. Mantha', written over a horizontal line.

Michel L. Mantha
Secretary

Attachment

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The word 'Canada' in a stylized, bold, serif font with a small crown over the 'a'.

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