

Cost of Service Derivation
 (\$ in 000's)

Ln	Description	2006	2007	2008	2009	2010	Source
1	Average Net Plant	4,763	3,958	3,234	2,580	1,983	Pg. 2, Ln 16
2	Rate of Return	11.58%	11.58%	11.58%	11.58%	11.58%	Exh. S-2
3	Return & Income Taxes	552	458	374	299	230	Lines 1 * 2
4	O&M Expense	462	487	495	505	515	Exh. TB-17, pg. 1, Ln 3
5	Depreciation Expense	1,004	877	758	662	579	Pg. 2, Ln 7
6	MSBT Adj for Depreciation @ 1.90%	19	17	14	13	11	Ln 5 * 1.9%
7	Property Taxes	37	34	32	30	29	Exh. TB-17, pg 4, Ln 1
8	Total Cost of Service (1)	<u>2,073</u>	<u>1,873</u>	<u>1,674</u>	<u>1,508</u>	<u>1,364</u>	Total, Lines 3 through 7

(1) Before revenue offsets. See Exhibit S-3

Projected Depreciation Expense & Net Plant

2005 - 2010
 (\$ in 000's)

Ln	Description	2005	2006	2007	2008	2009	2010	Source
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A. Depreciation Expense & Accumulated Depreciation

Depreciation Rate

1	Restated Net Plant (Gross Plant - Accumulated Depr.)		6,549	(1)				Pg. 3, Ln 11, 2005
2	Expected Vol., 2006-2025 (Remaining Reserves)	MMcf	119,217					Exh. TB-8
3	Unit of Trans Depr. Rate/Mcf	\$	0.0549	0.0549	0.0549	0.0549	0.0549	Ln 1 / Ln 2
4	Transportation Volume, projected	MMcf		18,197	15,875	13,715	11,963	Exh. TB-8
5	Depreciation	\$		999	872	753	657	Ln 3 * Ln 4
6	Asset Retirement Cost	\$		5	5	5	5	Exh. TB-17, Ln 5
7	Total Depreciation Expense	\$		1,004	877	758	662	Lns 5 + 6
8	Incremental Accumulated Depr. Since 12/31/05	\$		1,004	1,881	2,639	3,300	Ln 8, prior yr + Ln 7

B. Adjusted Net Plant (2)

9	Restated Net Plant (Gross Plant - Accumulated Depr.)	\$	6,549	(1)				Pg. 3, Ln 11, 2005
10	LESS: Accumulated ARO through 12/31/05	\$	190					Pg. 4, Ln 8, 2005
11	Net Plant LESS Accum. ARO @12/31/05	\$	6,359	6,359	6,359	6,359	6,359	
12	LESS: ARO Incremental Liability (3)	\$		12	24	36	48	@ \$12/yr as per Exh TB-13, pg. 2, Ln 9
13	LESS: Incremental Accumulated Depreciation (3)	\$		1,004	1,881	2,639	3,300	Ln 8
14	LESS: DFIT Liability	\$	1,174	1,003	877	793	743	Pg. 5, Ln 8; sign reversed
15	Adjusted Net Plant	\$	5,185	4,340	3,577	2,891	2,268	Ln 11 Less Lns 12 thru 14
16	Average Adjusted Net Plant	\$		4,763	3,958	3,234	2,580	Avg. of beg. & ending balances, Ln 15

(1) @ 12/31/05

(2) Used for return component of cost of service. See pg. 1

(3) since 12/31/05

Net Plant
 Through 2005 Projection
 (\$000)

Ln	Description	@ 12/18/97 purchase 1997	1998	1999	2000	2001	2002	2003	2004	projected 2005	Source
Gross Plant											
	Beg. Balance										
1	Pipeline	10,145	10,145	10,393	10,430	10,868	10,902	10,902	10,902	10,902	(1,2)
2	Non-Pipeline		-	-	-	-	-	-	106	106	Exh TB-12, Ln 2
3	Total	10,145	10,145	10,393	10,430	10,868	10,902	10,902	11,008	11,008	Lns 1 + 2
Net Additions											
4	Pipeline		248	37	438	34					Exh TB-12, Ln 4
5	Non-Pipeline							106			Exh TB-12, Ln 5
6	Total	-	248	37	438	34	-	106	-	-	Lns 4 + 5
End Balance											
7	Pipeline	10,145	10,393	10,430	10,868	10,902	10,902	10,902	10,902	10,902	Lns 1 + 4
8	Non-Pipeline	-	-	-	-	-	-	106	106	106	Lns 2 + 5
9	Total Gross Plant	10,145	10,393	10,430	10,868	10,902	10,902	11,008	11,008	11,008	Lns 7 + 8
10	LESS: Accumulated Depreciation	1,700	2,113	2,538	2,913	3,261	3,583	3,915	4,198	4,459	Pg. 4, Ln 6
11	Net Plant	8,446	8,280	7,893	7,955	7,642	7,319	7,093	6,811	6,549	Ln 9 - Ln 10

12 **(1)** 1997 balance as per books of Thunder Bay LLC (seller of pipeline to Thunder Bay Gathering Company) @ 12/18/97:

		(\$000)
13	Thunder Bay Pipeline, LLC, Property, Plant & Equipment	\$ 16,048
14	LESS: Hubbard Lake Plant	3,812
15	LESS: Deferred Asset Valuation Allowance	2,091
16	Adjusted pipeline, gross plant	<u>\$ 10,145</u>

17 Source: Thunder Bay Pipeline, LLC, Schedule of Depreciable Equipment & Trial Balance, both provided in response to AYD-5.

18 **(2)** Line 9, prior year.

Depreciation
 Through 2005 Projected
 (\$ in 000's)

Ln	Description	@ 12/18/97 purchase 1997	1998	1999	2000	2001	2002	2003	2004	projected 2005	Source
Depreciation Expense & Accumulated Depr.											
1	Transportn Volumes	mmcf	31,792	32,674	28,887	26,723	24,833	22,921	21,333	19,737	Exh. TB-8
2	Depreciation Rate	\$/mcf	0.0130	0.0130	0.0130	0.0130	0.0130	0.0130	0.0130	0.0130	Exh. TB-13, Ln 23
3	Depreciation Exp.	\$	413	425	376	347	323	298	277	257	Lns 1 * 2
4	ADD: Asset Ret Cost Amort.	\$						34	5	5	Exh. TB-13, pg 2, Ln 6
5	Adjusted Depr. Exp.	\$	413	425	376	347	323	332	282	262	Lns 3 + 4
6	Accumulated Depreciation	\$	1,700	2,113	2,538	2,913	3,261	3,583	3,915	4,198	4,459 (1,2)
Asset Retirement Obligation											
7	Asset Retirement Obl.	\$						167	11	12	Exh. TB-13, pg 2, Ln 9
8	Accumulated ARO	\$						167	178	190	Ln 8 prev yr + Ln 7

9 (1) 1997 beginning balance as per books of Thunder Bay LLC (seller of pipeline to Thunder Bay Gathering Company) @ 12/18/97:

10	<u>Accumulated Depreciation</u>	<u>(\$000)</u>
11	Thunder Bay Pipeline, LLC, Property, Plant & Equipment	2,237
12	LESS: Hubbard Lake Plant	538
13	Pipeline	<u>1,700</u>

14 Source: Thunder Bay Pipeline, LLC, Schedule of Depreciable Equipment & Trial Balance, both provided in response to AYD-5.

15 (2) Line 6 of prior year + Line 5.

Deferred Federal Income Tax LIABILITY
 1998 - 2010 (Projections after 2004)
 (\$ in 000's)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Source
<u>Depreciation Tax/Book Differences</u>														
1 Book Depreciation	413	425	376	347	323	298	277	257	1,004	877	758	662	579	Thru '05, pg. 4, Ln 3. Post '05, pg. 2, Ln 7
2 Tax Depreciation	(1) 1,276	797	766	736	685	637	593	590	517	517	517	517	517	Thru '05, Exh TB-13, pg 2, Ln 25. Post '05 see (1)
3 Book - Tax	(863)	(372)	(390)	(389)	(362)	(339)	(316)	(333)	487	359	241	144	61	Ln 1 - Ln 2
4 FIT Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	
5 DFIT due to Bk/Tx Depr Differences	(302)	(130)	(137)	(136)	(127)	(119)	(110)	(117)	170	126	84	51	21	Lns 4 * 5
6 <u>Other Tax/Book Differences</u>	(61)	57	9	(12)	102	(37)	(54)	-	-	-	-	-	-	Exh TB-13, pg 2, Ln 11
<u>DFIT</u>														
7 Total Change in DFIT Liability	(2) (363)	(73)	(128)	(148)	(25)	(156)	(164)	(117)	170	126	84	51	21	Lns 5 + 6 (2)
8 Accumulated DFIT Liability	(363)	(436)	(564)	(712)	(737)	(892)	(1,057)	(1,174)	(1,003)	(877)	(793)	(743)	(721)	Ln 8 prev yr + Ln 7

(1) Tax Depreciation
 Gross Plant @ 12/31/05
 Tax Depreciation Rate
 Tax Depreciation

11,008	11,008	11,008	11,008	11,008
4.70%	4.70%	4.70%	4.70%	4.70%
517	517	517	517	517

Exh. S-1, pg. 3
 Exh. TB-17, pg. 2, line 9

(2) Negative figures increase DFIT liability, postive figures reduce it.

Case No.: U-14672

Witness:

Exhibit No.: S-2

Schedule No.: D-1

Date: 5/5/2006

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Thunder Bay Gathering Company
Cost of Capital

Line	Description	Amount (000's)	Ratio	Cost Rate	After-Tax Weighted Cost	Pre-Tax Factor	Pre-Tax Weighted Cost
1	Long Term Debt	\$4,200,563	50.00%	6.57%	3.29%	1.01936%	3.35%
2	Notes Payable	\$0	0.00%	0.00%	0.00%		
3	Common Equity	\$4,200,563	50.00%	10.50%	5.25%	1.56826%	8.23%
4	Total Permanent Capital	<u>\$8,401,126</u>	<u>100.00%</u>		<u>8.54%</u>		<u>11.58%</u>

THUNDER BAY GATHERING COMPANY
CALCULATION OF TRANSPORTATION RATE
\$(000s Omitted)

Case No. U-14726
Witness: Janssen, Bonnie
Exhibit: S-3 (BJ-1)
Date: May 5, 2006

Line	Description	Year 1 2006	Year 2 2007	Year 3 2008	Year 4 2009	Year 5 2010	Source
1	Total Cost of Service	\$ 2,073	\$ 1,873	\$ 1,674	\$ 1,508	\$ 1,364	Exhibit S-1 (AYD-1)
	LESS:						
2	Receipt Point Fees	\$ 178	\$ 178	\$ 178	\$ 178	\$ 178	Exhibit TB-17 (MCC-6), pg 1 33 meters*\$450*12
3	Administrative Chg Revenues	\$ 36	\$ 36	\$ 36	\$ 36	\$ 36	Exhibit TB-17 (MCC-6), pg 1 10 cust*\$300*12
4	Net Cost of Service	\$ 1,859	\$ 1,659	\$ 1,460	\$ 1,294	\$ 1,150	Line 1-Line 2 -Line 3
5	Present Value Cost of Service	\$ 1,713	\$ 1,408	\$ 1,142	\$ 932	\$ 763	
6	Total Present Value Cost of Service	\$ 5,958					
	Throughput						
7	Projected Annual Trans. Vol.	18,197	15,875	13,715	11,963	10,451	Exh. TB-8 (ED-8) mmcf
	Levelized Rate and Revenue						
8	5 yr Levelized Rate	\$0.1054	\$0.1054	\$0.1054	\$0.1054	\$0.1054	Solve for \$/Mcf
9	Total Revenues	\$ 1,918	\$ 1,673	\$ 1,446	\$ 1,261	\$ 1,102	line 7 * line 8
10	Present Value Revenues	\$ 1,767	\$ 1,420	\$ 1,130	\$ 908	\$ 731	
11	Total Present Value Revenues	\$ 5,958					
12	PV Revenues - PV Cost of Service	\$ (0.10)					
	Present Value Cost of Service Development						

Year = t	Discount Rate k	1+k	1/(1+k)^t	Line 4	Line 5	k: Exhibit S-2 (BB-1)
1.0	0.0854	1.0854	0.9213	\$ 1,859	\$ 1,713	
2.0	0.0854	1.0854	0.8488	\$ 1,659	\$ 1,408	
3.0	0.0854	1.0854	0.7820	\$ 1,460	\$ 1,142	
4.0	0.0854	1.0854	0.7205	\$ 1,294	\$ 932	
5.0	0.0854	1.0854	0.6638	\$ 1,150	\$ 763	
					\$ 5,958	

Year = t	Discount Rate k	1+k	1/(1+k)^t	Line 9	Line 10	k: Exhibit S-2 (BB-1)
1.0	0.0854	1.0854	0.9213	\$ 1,918	\$ 1,767	
2.0	0.0854	1.0854	0.8488	\$ 1,673	\$ 1,420	
3.0	0.0854	1.0854	0.7820	\$ 1,446	\$ 1,130	
4.0	0.0854	1.0854	0.7205	\$ 1,261	\$ 908	
5.0	0.0854	1.0854	0.6638	\$ 1,102	\$ 731	
					\$ 5,958	