



**LETTER NO. L-25-05**

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April 12, 2005

Mr. C.P. Donohue  
Director, Regulatory Affairs & Gas Supply  
Pacific Northern Gas (N.E.) Ltd.  
950 - 1185 West Georgia Street  
Vancouver, B.C. V6E 4E6

Dear Mr. Donohue:

Re: Pacific Northern Gas (N.E.) Ltd. ("PNG(NE)")  
2005 Federal Budget's Proposed Increases in Capital Cost Allowance Rates

The 2005 Federal Budget proposed increases in allowed Capital Cost Allowance ("CCA") rates and, in particular, for oil and gas transmission pipelines from 4 percent to 8 percent and a 15 percent rate for compression and pumping equipment on such pipelines.

The Commission requires that PNG(NE) provide a report by Monday, April 18, 2005 that identifies the impact on 2005 income taxes that would result if the proposed CCA rates were to take effect. The report is to provide the proposed effective date of the CCA rate change and identify the current 2005 income tax provision, the asset pools that are eligible for the CCA rate change and the change in the allowed 2005 CCA deduction that would result if the proposed CCA rates were to take effect.

Yours truly,

*Original signed by:*

Robert J. Pellatt

RJP/dlf

cc: Registered Intervenor PNG(NE) 2005 RR