

**TRANS QUEBEC & MARITIMES**  
**COMPUTATION OF THE RATE OF RETURN**  
**For the Test Year Ending December 31, 2006**

<u>Line No</u>		<u>Amount</u> (\$000)	<u>Capital Structure</u> (%)	<u>Cost Rate</u> (%)	<u>Cost Component</u> (%)
1	<b>TEST YEAR 2006</b>				
2	Debt - Funded	275,000	59.80%	6.14%	3.67%
3	Debt - Unfunded	<u>46,924</u>	<u>10.20%</u>	4.94%	<u>0.51%</u>
4	Total Debt Capital	321,924	70.00%		4.18%
5	Equity	<u>137,968</u>	<u>30.00%</u>	8.88%	<u>2.66%</u>
6	Total Capitalization	459,892	100.00%		
7	Rate of Return				
8	on Rate Base				<u><u>6.84%</u></u>

**TRANS QUEBEC & MARITIMES**  
**DETERMINATION OF COST RATES**  
**For the Test Year Ending December 31, 2006**

<u>Line No</u>		<u>Average Gross Proceeds (\$000)</u>	<u>Financial Charges (\$000)</u>	<u>Cost Rate (%)</u>
1	6.50 % Series H	100,000	6,500	
2	7.053 % Series I	100,000	7,053	
3	3.906% Series J	75,000	2,930	
4		275,000	16,483	6.00%
5	Amortization of Debt			
6	Discount		393	0.14%
7	Total Rate	<u>275,000</u>	<u>16,876</u>	<u>6.14%</u>

**TRANS QUEBEC & MARITIMES**  
**DETERMINATION OF FUNDED DEBT BALANCE**  
**For the Test Year Ending December 31, 2006**  
**(\$000)**

<u>Line No</u>		<u>Series H</u>	<u>Series I</u>	<u>Series J</u>	<u>Total</u>
1	January 1	100,000	100,000	75,000	275,000
2	January 31	100,000	100,000	75,000	275,000
3	February 28	100,000	100,000	75,000	275,000
4	March 31	100,000	100,000	75,000	275,000
5	April 30	100,000	100,000	75,000	275,000
6	May 31	100,000	100,000	75,000	275,000
7	June 30	100,000	100,000	75,000	275,000
8	July 31	100,000	100,000	75,000	275,000
9	August 31	100,000	100,000	75,000	275,000
10	September 30	100,000	100,000	75,000	275,000
11	October 31	100,000	100,000	75,000	275,000
12	November 30	100,000	100,000	75,000	275,000
13	December 31	100,000	100,000	75,000	275,000
14	Total	<u>1,300,000</u>	<u>1,300,000</u>	<u>975,000</u>	<u>3,575,000</u>
15	Average	<u><b>100,000</b></u>	<u><b>100,000</b></u>	<u><b>75,000</b></u>	<u><b>275,000</b></u>

TRANS QUEBEC & MARITIMES PIPELINE  
FINANCIAL CHARGES CALCULATION  
For the Test Year Ending December 31, 2006  
(\$000)

	<u>Series H</u>	<u>Series I</u>	<u>Series J</u>	<u>Total</u>
Original Principal Outstanding	100,000	100,000	75,000	
Average Principal Outstanding	100,000	100,000	75,000	
Coupon Rate	6.500%	7.053%	3.906%	
Semi-annual interest payment date	Feb 24 Aug 24	Mar 22 Sept. 22	Mar 22 Sept. 22	
Interest Cost	6,500	7,053	2,930	16,483

TRANS QUEBEC & MARITIMES PIPELINE  
 AMORTIZATION OF DEBT ISSUE EXPENSES  
 For the Test Year Ending December 31, 2006  
 (\$000)

	<u>Series H</u>	<u>Series I</u>	<u>Series J</u>	<u>PNGTS Bank Loan</u>	<u>Total</u>
<b>Debt Issue Cost</b>					
Underwriting Fees	750	500	263	441	
Premium on recall	-	-	-	-	
Company Expenses	489	206	290	-	
Total Financial Costs	1,239	706	553	441	
Average Term of Issue (Years)	10	10	5	5.0	
Annual Amortization of Total Financial Costs	124	71	111	89	
Number of months Outstanding in the Test Year	12	12	12	12	
Test Year Amortization of Total Financial Costs	124	71	111	87	393

TRANS QUEBEC & MARITIMES  
 PROJECTED UNFUNDED DEBT RATE  
 For the Test Year Ending December 31, 2006

Institutions	1st quarter	2nd quarter	3rd quarter	4th quarter	Average
Banque Nationale du Canada	5.25%	5.25%	5.25%	5.25%	5.25%
Royal Bank of Canada	5.50%	5.75%	5.75%	5.75%	5.69%
Scotia Bank	5.25%	5.25%	5.25%	5.25%	5.25%
Banque de Montreal	5.25%	5.68%	5.88%	6.20%	5.75%
C.I.B.C.	5.25%	5.25%	5.25%	5.25%	5.25%
Banque Toronto-Dominion	5.50%	5.75%	5.50%	5.25%	5.50%
Average	5.33%	5.49%	5.48%	5.49%	5.45%
Average Prime rate used in Application	<b>5.25%</b>	<b>5.50%</b>	<b>5.50%</b>	<b>5.50%</b>	<b>5.44%</b>
Less: 0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
<b>Average rate of unfunded debt used in Application</b>	<b>4.75%</b>	<b>5.00%</b>	<b>5.00%</b>	<b>5.00%</b>	<b>4.94%</b>

**Note:**

The debt other than the portion financed by Bonds is as follows:

- \_ a short term loan bearing interest at prime rate less .50% ;
- \_ line of credit bearing interest at prime rate. Even though TQM Pipeline does not benefit totally of the reduction of .50% on its line of credit, it has used this reduction on all the unfunded debt.

TRANS QUEBEC & MARITIMES  
Bond Ratings

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The following bond rating reports follow:

- DBRS - Bond, Long Term Debt and Preferred Share Ratings
- Standard & Poor's - Canadian Ratings

**Trans Québec & Maritimes Pipeline Inc.**

Based on the Guarantor, TQM Pipeline and Company, Limited Partnership

Report Date: November 10, 2005  
 Press Released: September 23, 2005  
 Previous Report: November 17, 2004

**RATING**

Rating	Trend	Rating Action	Debt Rated
A (low)	Stable	Confirmed	Series H and I Bonds
A (low)m	Stable	New Rating	Series J Bonds

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m – Market risk factors in this credit greatly exceed what is considered normal by DBRS.

(All figures in Canadian dollars, unless otherwise noted.)

RATING HISTORY	Current	2004	2003	2002	2001	2000	1999
Series H and I Bonds	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)	A (low)
Series J Bonds	A (low)m	NR	NR	NR	NR	NR	NR

**RATING UPDATE**

Trans Québec & Maritimes Pipeline Inc. (“TQM” or the “Company”) has recently improved its credit profile by refinancing \$85 million of secured bonds (Series G) on maturity with \$75 million of unsecured Series J Bonds to 2010 at a substantially lower interest rate, the balance with drawdown on its new credit facility, also due in 2010. Further, the security on the remaining Series H and I Bonds has been released on refinancing as previously stipulated. TQM continues to benefit from its stable regulated operation on a cost-of-service basis with no throughput risk. Continued stability is expected with most of its revenues derived from a long-term contract with TransCanada PipeLines Limited (“TCPL”), one of its two 50% partners. The other 50% owner, Gaz Métro Limited Partnership (“Gaz Met”), is the prime distributor of the gas shipped. TQM acts as TCPL’s extension to reach the Québec market. Near-term growth is underpinned by additional compression on its existing system to facilitate connection to a new lateral pipeline of Gaz Met. This will provide fuel to Hydro-Québec’s Becancour hydropower project to be constructed by TCPL. The project costs estimated at \$30 million included in the rate base application will likely enhance earnings and cash flow (estimated 5%-6%), when in service as expected in late 2006. This represents the first larger size project since TQM’s major expansions in 1998 and 1999, connecting to Portland

Natural Gas Transmission System (“PNGTS”). The latter, now majority owned by TCPL, extends to the growing New England market, which presents growth prospects for TQM.

Apart from the relatively weak financial profile associated with the low deemed equity component (30%), the Company continues to face competition from two major pipeline systems. It competes with the Alliance and Vector pipelines for supply of western Canadian gas going into eastern Canada and the U.S. Northeast. De-contracting for TCPL has driven up tolls, affecting the competitiveness of western Canadian gas, although tolls fell in 2005 due to the strong Canadian dollar. Maritimes & Northeast Pipeline, LLC (“M&NP”), extending to Atlantic Canada and the U.S. Northeast, could take market share away from western Canadian gas via TCPL/TQM/PNGTS. In addition, higher priced natural gas remains a secondary fuel source compared to alternative fuels, particularly the heavily subsidized residential hydroelectricity in Québec. Fuel oil is also being extensively used as industrial customers have fuel-switching capabilities. The foregoing was evident in the throughput decline at TQM in 2004. (Continued on page 2.)

**RATING CONSIDERATIONS**

Strengths:

- Stable regulation on a cost-of-service basis
- Strong sponsorship in TCPL and Gaz Met
- Access to growing markets in the U.S. Northeast
- Surplus cash flows with capex at maintenance levels

Challenges:

- Rising TCPL tolls reduces competitiveness of WCSB gas
- Competition from Sable Island gas into the U.S. Northeast
- Relatively low natural gas end-user penetration in Québec
- Earnings sensitive to interest rates via approved ROE

**FINANCIAL INFORMATION**

(\$ millions)	6 months		Rolling 12 mos.	For the year ended December 31					
	June 30, 2005	June 30, 2004	June 30, 2005	2004	2003	2002	2001	2000	1999
Net income (before extras.)	6.6	7.2	13.7	14.2	15.2	15.2	17.2	14.9	18.4
Cash flow from operations (\$ millions)	17.9	19.1	35.2	36.4	36.1	37.3	37.5	31.6	55.4
Total debt	335.8	344.3	335.8	339.6	350.8	363.5	371.3	382.5	391.2
Return on common equity	9.1%	9.6%	9.3%	9.6%	9.9%	9.6%	10.6%	8.9%	10.9%
Total debt in capital structure	69.9%	69.9%	69.9%	70.0%	69.9%	69.8%	69.8%	69.9%	69.8%
Cash flow/total debt (times)	0.11	0.11	0.10	0.11	0.10	0.10	0.10	0.08	0.14
Cash flow-divid./capital expend. (times)	9.78	n.m.	6.74	14.33	18.24	8.55	9.60	3.59	1.01
EBIT interest coverage (times)	2.01	2.03	2.01	2.02	2.36	2.36	2.15	1.99	1.69
EBITDA interest coverage (times)	3.01	3.00	3.00	3.00	3.44	3.45	3.07	2.80	2.41
Volume shipments (mainline) (bcf)	81.9	88.5	163.0	158.5	163.0	175.4	161.3	168.1	147.4

n.m. = not meaningful.

**THE COMPANY**

TQM, as mandatory agent of TQM Pipeline and Company, Limited Partnership, operates effectively as an extension of the TCPL system (572 kilometres/343 miles), transporting Alberta gas to Québec and the U.S. Northeast. It extends from Saint-Lazare near the Ontario-Québec border to Québec City, across the St. Lawrence River to Saint-Nicolas, with a lateral extension from Lachenaie, north of Montréal, to the New Hampshire, U.S., border at East Hereford. It is owned 50/50 by TCPL and Gaz Met (see separate reports).

*Gas Pipeline*

**DOMINION BOND RATING SERVICE**

## RATING UPDATE CONT'D

DBRS expects continued stable operation for TQM with relatively acceptable cash flow/debt ratio in the 0.10-0.11 range and EBIT/interest of over 2.0 times. Longer-term growth prospects are driven by northern gas developments. Increased

supply of liquefied natural gas (LNG), including terminal projects undertaken by TCPL/Petro-Canada in Gros Cacouna and Gaz Met/Enbridge Inc. in Rabaska, both in Québec, should supplement growth by the end of the decade.

## RATING CONSIDERATIONS

**Strengths:** (1) TQM continues to display stable and consistent levels of earnings with no throughput risk. It is regulated on a full cost-of-service basis with an allowed return on equity (ROE) set at 9.46% in 2005 (9.56% in 2004 and 9.79% in 2003). A negotiated incentive agreement to the end of 2006 allows for a 50/50 sharing of cost savings with shippers.

(2) TQM's two 50/50 partners, TCPL and Gaz Met, provide strong sponsorship. TCPL represents virtually all of TQM's revenues under long-term contracts to 2013 to ship gas to customers in Québec and the U.S. Northeast. Gaz Met is the sole distributor for the gas being shipped. TQM also benefits from cost efficiencies of the much larger TCPL pipeline operation, offering lower tariffs to gas users in Québec.

(3) TQM's connection with PNGTS through capacity expansion in 1999 provides access to the U.S. Northeast market, laying the platform for potential expansion in the future. TQM's throughput capacity at 435 million cubic feet per day (mmcf/d) in 2004 could be expanded at a relatively low cost (estimated \$10 million-\$15 million for about 45% incremental capacity to 700 mmcf/d). For the Québec market, based on Gaz Met's focus on the expanding residential market, TQM's gas shipments are projected to rise by approximately 35% to 215 billion cubic feet (bcf), compared to 159 bcf in 2004. To meet these needs, expansion opportunities are available in the form of mainline looping, compression, and delivery stations. Near term, capital costs estimated at \$30 million associated with additional compression on its existing system to facilitate servicing of gas requirements of Hydro-Québec's new Becancour power project will likely be included in the rate base. This should enhance the Company's earnings and cash flow.

(4) Surplus cash flow is expected to continue to be deployed for debt reduction and distributions, given low capital expenditures at maintenance levels (\$1 million-\$1.5 million

annually). An allowed debt/equity level of 70/30 is maintained by distributing excess cash flows. Despite the National Energy Board's (NEB) favourable rulings on TCPL in 2002 and 2005, raising the Mainline equity component to 36%, TQM has not applied for higher deemed equity, possibly due to the TCPL owner/shipper relationship. Cash flow/total debt and EBIT coverage ratios are expected to be maintained at reasonable levels of 0.10 times-0.11 times and above two times, respectively.

**Challenges:** (1) TQM faces competition from several sources: (a) Significant de-contracting at TCPL as a result of the start-up of Alliance and Vector pipelines, have driven up tolls on a per-unit basis, raising tolls charged by TQM. TCPL's tolls fell in 2005 due to the impact of the strong Canadian dollar. These pipelines transport Alberta and British Columbia gas to Chicago and eastern Canadian markets, respectively, accessing some gas supply previously shipped by TCPL. (b) Despite recent disappointing drilling results, potential expansion of M&NP, transporting gas from offshore eastern Canada to Atlantic Canada and the U.S. Northeast, could take market share away from Alberta gas into the same market via TCPL/TQM/PNGTS.

(2) Market penetration for natural gas is relatively low in Québec (at approximately 16% or one-half of the Canadian average as defined by Statistics Canada) due to the relatively high cost of natural gas from the distant Alberta supplies. Further, there is extensive use of fuel oil and dual fuel switching capabilities in the industrial markets. In Québec, hydroelectricity remains the primary energy source given the government subsidized rates.

(3) As allowed ROE is tied to long-term government bond rates, earnings are sensitive to interest rates. ROE increased to 9.79% in 2003 (from 9.53% in 2002) but has been lowered to 9.46% in 2005. The allowed ROE remains low compared to the 12%-14% allowed in the U.S.

## REGULATION

- Regulated by the NEB on rate-of-return/cost-of-service basis.
- Approved return on equity of 9.46% in 2005 (9.56% in 2004 and 9.79% in 2003) based on forecast long-term Government of Canada bond yields.
- Deemed common equity set at 30% and reconfirmed in December 2004. Negotiated incentive agreement with shippers approved by NEB, effective January 1, 1997 (extended to December 31, 2006), allowing equal sharing of cost savings, providing incentive to minimize costs.

- Both operating costs and incentive agreements extended for another five-year term to January 31, 2006.

## EARNINGS

Income Statement (Cdn\$ millions)	6 months		Rolling 12 mos.	For the year ended December 31					
	June 30, 2005	June 30, 2004	June 30, 2005	2004	2003	2002	2001	2000	1999
Revenues	43.1	42.4	85.2	84.5	87.8	88.2	93.1	96.6	85.2
Operating, maintenance, and other	(8.8)	(8.4)	(16.9)	(16.6)	(17.2)	(17.2)	(16.6)	(17.4)	(15.4)
Depreciation and amortization	(11.5)	(11.3)	(22.8)	(22.5)	(22.6)	(22.6)	(22.9)	(22.9)	(20.8)
Other income (expense), net	0.2	0.8	0.9	1.5	(1.5)	(1.8)	0.2	(1.3)	4.9
Earnings before interest and taxes	23.0	23.5	46.5	46.9	46.5	46.5	53.8	55.0	53.8
Interest expense	(11.5)	(11.6)	(23.1)	(23.2)	(21.0)	(20.9)	(25.1)	(28.3)	(29.2)
Net income before taxes	11.6	11.9	23.4	23.8	25.5	25.6	28.7	26.7	24.7
Income taxes	(4.9)	(4.8)	(9.7)	(9.5)	(10.3)	(10.4)	(11.5)	(11.8)	(6.3)
<b>Net Income Before Extras.</b>	6.6	7.2	13.7	14.2	15.2	15.2	17.2	14.9	18.4
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income, as reported	6.6	7.2	13.7	14.2	15.2	15.2	17.2	14.9	18.4
Return on equity (bef. extras.)	9.1%	9.6%	9.3%	9.6%	9.9%	9.6%	10.6%	8.9%	10.9%
<b>Operating Statistics</b>									
Average rate base (\$ millions)	471.9	463.6	471.9	463.6	484.5	504.1	524.5	543.9	492.7
Pipelines (km)	572	572	572	572	572	572	572	572	572
Volume throughputs (bcf/day)	0.449	0.485	0.447	0.434	0.447	0.480	0.442	0.460	0.404

2004: Net income before extraordinary items declined by 7% due to a lower allowed ROE of 9.56% versus 9.79% in 2003 on a lower rate base, partly offset by operating cost savings.

- Throughput volumes dropped 3% attributable to a lower demand (down 5.2%) for natural gas in the Québec market affected by higher gas prices, partly compensated by higher deliveries in the New England area.

Six months to June 30, 2005 (H1 2005): An 8% drop in net earnings was caused by a lower ROE of 9.46%, albeit on a slightly higher rate base. The latter reflected the expected transfer to the rate base of \$32 million of litigation settlement included in deferred accounts, which was associated with disputes with a contractor on the expansion project to PNGTS.

**Outlook:**

The Becancour expansion to be in service in late 2006 will likely strengthen earnings as TQM has applied for inclusion of the project costs in the rate base.

- However, exceptionally high gas prices are expected to affect usage, especially in the Québec market where alternative fuels are available.
- Lower toll rates are expected, benefiting from lower financing costs, following the recent refinancing, coupled with improved efficiencies from outsourcing arrangements with TCPL, as volume throughputs increase, over time.

Longer term: DBRS expects expansion prospects to be associated with LNG projects undertaken by entities, such as, TCPL/Petro-Canada in Gros Cacouna and Gaz Met/Enbridge Inc. in Rabaska, both in Québec. Longer term prospects will be underpinned by northern gas developments.

## FINANCIAL PROFILE

(Cdn\$ millions)	6 months	6 months	Rolling 12 mos.	For the year ended December 31			
	June 30, 2005	June 30, 2004	June 30, 2005	2004	2003	2002	2001
EBITDA	34.4	33.9	68.3	67.9	70.6	70.9	76.5
Net income before extraordinary items	6.6	7.2	13.7	14.2	15.2	15.2	17.2
Depreciation, depletion, and amortization	11.5	11.3	22.8	22.5	22.6	22.6	22.9
Future income taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	(0.2)	0.7	(1.2)	(0.3)	(1.7)	(0.5)	(2.7)
<b>Cash Flow From Operations</b>	17.9	19.1	35.2	36.4	36.1	37.3	37.5
Other	0.0	0.0	(6.2)	(6.2)	0.0	0.0	0.0
Capital expenditures	(1.1)	(0.3)	(2.7)	(2.0)	(1.0)	(2.8)	(8.2)
Working capital changes	(3.7)	(1.8)	1.0	2.9	2.1	(6.1)	0.6
<b>Free Cash Flow Before Dividends</b>	13.2	17.0	27.3	31.1	37.2	28.4	29.9
Common dividends paid	(7.5)	(10.0)	(17.0)	(19.5)	(21.3)	(18.8)	(21.7)
<b>Net Free Cash Flow</b>	5.7	7.0	10.3	11.6	15.9	9.6	8.2
Acquisitions/investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.8	0.0	0.8	0.2	0.6	6.5
<b>Cash Flow Bef. Debt Financing</b>	5.7	7.8	10.3	12.4	16.1	10.2	14.7
Increase (decrease) in debt	(4.7)	(7.1)	(10.3)	(12.7)	(15.8)	(10.2)	(14.7)
Increase (decrease) in equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Change In Cash</b>	0.9	0.6	0.1	-0.3	0.3	0.0	0.0
Total debt	335.8	344.3	335.8	339.6	350.8	363.5	371.3
Total debt in capital structure	69.9%	69.9%	69.9%	70.0%	69.9%	69.8%	69.8%
Cash flow/total debt (times)	0.11	0.11	0.10	0.11	0.10	0.10	0.10
EBIT/interest	2.01	2.03	2.01	2.02	2.36	2.36	2.15

**2004:** The lower free cash flow of \$31.1 million (down 16%) was primarily due to the litigation settlement of \$6.2 million paid out of deferred accounts mentioned under Earnings.

**H1 2005:** Operating cash flow remained stable in line with the regulated nature of the operation.

- TQM has continued to maintain its debt/equity at the 70%/30% level as mandated by the NEB by managing dividend distributions and debt reductions.

**Outlook:**

Cash flow/debt ratio should remain at the 0.10-0.11 range with EBIT/interest coverage over 2.0 times, which is acceptable.

- Expansion capex reaching \$30 million for the Becancour project will likely be funded 70/30 by debt and partners' contributions to maintain the current capital structure.

## BANK LINES

- In September 2005, TQM refinanced its \$75.5 million credit facility due in 2006 with a \$85.5 million revolving bank line to September 2010 at similar terms as previously, under which an \$80 million demand bond was issued.

**Only financial covenant:** maintenance of a certain equity/debt ratio (not disclosed publicly).

- Three unsecured bond issues totalling \$275 million, \$75 million Series J issued in September 2005 together with \$10 million drawdown on the new credit facility to fully refinance the Series G Bonds on maturity.

All term debt is unsecured, and guaranteed by TQM Pipeline and Company, Limited Partnership.

<b>Debt Maturities (as of Dec. 31, 2004)*</b>	2006	2007	2008	2009	2010*	Total debt
Bank loans	54.6	-	-	-	-	54.6
Bonds*	-	-	-	100.0	175.0	275.0
% total debt	16.6%	0.0%	0.0%	30.3%	53.1%	329.60

\*Adjusted for maturities of the new Series J Bonds.

## Trans Québec &amp; Maritime Pipelines Inc.

**Balance Sheet**

(\$ millions)	June 30	Dec. 31	Dec. 31		June 30	Dec. 31	Dec. 31
	2005	2004	2003	<b>Liabilities &amp; Equity</b>	2005	2004	2003
<b>Assets</b>				<b>Short-term debt</b>	0.0	0.0	0.0
Accounts receivable	8.5	5.0	8.2	A/P & accrued liab.	10.7	11.4	11.9
Prepaid expense	1.0	0.4	0.4	L.t.d. due in one year	85.0	85.0	0.0
Inventories	2.8	2.8	2.8	<b>Current Liabilities</b>	95.7	96.4	11.9
<b>Current Assets</b>	12.3	8.2	11.4	Long-term debt	250.8	254.6	350.8
Property, plant, and equipment, net	476.3	454.5	475.9	Partners' equity	144.8	145.6	150.9
Other assets	2.6	34.0	26.4	<b>Total</b>	491.2	496.6	513.6
<b>Total</b>	491.2	496.6	513.6				

**Balance Sheet &**

<b>Liquidity Ratios</b>	6 months	6 months	Rolling 12 mos.	For the year ended December 31					
	June 30, 2005	June 30, 2004	June 30, 2005	2004	2003	2002	2001	2000	1999
Current ratio	0.13	1.08	0.13	0.08	0.95	1.13	0.61	0.43	0.26
Total debt in capital structure	69.9%	69.9%	69.9%	70.0%	69.9%	69.8%	69.8%	69.9%	69.8%
Partners' equity in capital structure	30.1%	30.1%	30.1%	30.0%	30.1%	30.2%	30.2%	30.1%	30.2%
Deemed common equity	30%	30%	30%	30%	30%	30%	30%	30%	30%
Cash flow/total debt (times)	0.11	0.11	0.10	0.11	0.10	0.10	0.10	0.08	0.14
(Cash flow - divs.)/net capex	9.78	n.m.	6.74	14.33	18.24	8.55	9.60	3.59	1.01
Common dividend payout (bef. extras.)	113.1%	139.6%	124.2%	137.2%	140.1%	123.5%	125.9%	127.7%	88.0%
Accum. depreciation/gross fixed assets	43.5%	42.5%	43.5%	43.9%	41.2%	38.5%	35.8%	33.2%	30.3%

**Coverage Ratios (1)**

EBIT interest coverage (times)	2.01	2.03	2.01	2.02	2.36	2.36	2.15	1.99	1.69
EBITDA interest coverage (times)	3.01	3.00	3.00	3.00	3.44	3.45	3.07	2.80	2.41
Fixed-charges coverage (times)	2.01	2.03	2.01	2.02	2.36	2.36	2.15	1.99	1.69

**Profitability Ratios**

Operating margin	52.9%	53.5%	53.4%	53.7%	54.7%	54.8%	57.5%	58.3%	57.5%
Profit margin	15.4%	16.9%	16.1%	16.8%	17.3%	17.3%	18.5%	15.4%	21.6%
Return on equity (bef. extras.)	9.1%	9.6%	9.3%	9.6%	9.9%	9.6%	10.6%	8.9%	10.9%
Allowed ROE	9.56%	9.79%	n/a	9.56%	9.79%	9.53%	9.61%	9.90%	9.58%
Return on capital	7.5%	7.5%	7.6%	7.6%	5.3%	5.1%	5.8%	5.6%	6.3%

**Selected Data (\$ millions)**

Operating revenues	43.1	42.4	85.2	84.5	87.8	88.2	93.1	96.6	85.2
Operating income	22.8	22.7	45.5	45.4	48.0	48.3	53.6	56.3	49.0
Net income before extras.	6.6	7.2	13.7	14.2	15.2	15.2	17.2	14.9	18.4
Reported earnings	6.6	7.2	13.7	14.2	15.2	15.2	17.2	14.9	18.4
Operating cash flow before extras. (2)	17.9	19.1	35.2	36.4	36.1	37.3	37.5	31.6	55.4
Dividends	(7.5)	(10.0)	(17.0)	(19.5)	(21.3)	(18.8)	(21.7)	(19.0)	(16.2)
Capital expenditures	(1.1)	(0.3)	(2.7)	(2.0)	(1.0)	(2.8)	(8.2)	(3.5)	(38.8)
Gross free cash flow	9.4	8.8	15.5	14.9	13.8	15.8	7.6	9.1	0.4
Changes in working capital items	(3.7)	(1.8)	1.0	2.9	2.1	(6.1)	0.6	7.7	(8.1)
Net free cash flow	5.7	7.0	16.5	17.8	15.9	9.6	8.2	16.8	(7.7)

**Operating Statistics**

Average rate base (\$ millions)	471.9	463.6	471.9	463.6	484.5	504.1	524.5	543.9	492.7
Pipelines (3) (km)	572	572	572	572	572	572	572	572	572
Rate base/km pipeline (3) (\$)	824.9	810.5	824.9	810.5	847.0	881.4	917.0	951.0	861.4
Rate base/volume shipments (\$)	203.3	184.9	102.2	103.3	104.9	101.5	114.8	114.3	118.0
Volume throughputs (bcf)	81.9	88.5	163.0	158.5	163.0	175.4	161.3	168.1	147.4
Volume throughputs (bcf/day)	0.449	0.485	0.447	0.434	0.447	0.480	0.442	0.460	0.404

(1) Excludes AFUDC and debt amortizations.

(2) Included deferred charges of \$7,253 and \$13,060 in 2001 and 2000, most of which are expected to be capitalized, upon NEB approvals.

(3) Includes 217 kilometres lateral extension to PNGTS that came online in March 1999. n.m. = not meaningful.

## Trans Quebec & Maritimes Pipeline Inc.

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**Corporate Credit Rating**

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BBB+/Stable/—

**Debt maturities:**

---

2005 Nil  
2006 Nil  
2007 Nil  
2008 Nil  
2009 C\$100 mil.

**Bank lines/Liquid assets:**

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As at Sept. 30, 2005, the company has a C\$20 million, 364-day revolving line of credit that is unsecured and used for working capital purposes which is undrawn. The company also has an C\$85.5 million five-year revolving term loan, C\$61.4 million of which was drawn as at Sept. 30, 2005.

**Company contact:**

---

Rejean Laforge (1) 450-462-5320

**Outstanding Rating(s)**

**TQM Pipeline & Company Limited Partnership**

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Corporate Credit Rating      BBB+/Stable/—  
Sr unsecd debt  
**Local currency**                      BBB+

**Corporate Credit Rating History**

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Dec. 4, 2001                      BBB+

## Major Rating Factors

### **Strengths:**

- Long-term supply contract with TransCanada PipeLines Ltd.
- Limited competition
- Stable near- to medium-term market demand in Canada and U.S. Petroleum Administration for Defense District markets

### **Weaknesses:**

- Uncompetitive ROE framework based on Canada long bonds plus a risk premium
- Highly leveraged financial profile

## Rationale

The ratings on Trans Quebec & Maritimes Pipeline Inc. (TQM) reflect the pipeline's strong business position, which is partially offset by its cash flow protection measures that are weak for the ratings category. The above-average business position is characterized by TQM's dominant market position in the Province of Quebec, a stable regulatory system, and the cash flow stability provided by a strong take-or-pay shipper contract with TransCanada PipeLines Ltd. TQM's existing ownership structure (the two joint venture owners are TransCanada PipeLines and Gaz Metro L.P.) is a credit enhancement. Standard & Poor's Ratings Services expects each owner will continue to support the pipeline.

TQM's existing pipeline system serves two primary markets, Quebec and the northeastern U.S. The distribution of the pipeline's average daily deliveries is about 34% into the City of Montreal, 38% into other areas of Quebec, and 28% into PNGTS. As an extension of the TransCanada PipeLines system, TQM has a very strong competitive position, as with its monopolistic standing, there is no other means of transporting natural gas into Quebec. The volumes that interconnect with the Portland Natural Gas Transmission System (PNGTS) face more competition, primarily from the Maritimes & Northeast Pipeline system (M&NE), which transports offshore Canadian gas into the northeastern U.S. Although, falling Sable Island production volumes have put throughput pressure on M&NE, offsetting some competitive demands. The Quebec market is expected to remain relatively stable, but the development of supply basins in offshore Nova Scotia has been slower than expected, which has slowed the momentum of possible future expansion of the pipeline grid into eastern Quebec and New Brunswick. TQM's connection to the New England market through the PNGTS, however, provides access into the growing first U.S. Petroleum Administration for Defense District (PADD I) market for natural gas. Furthermore, the company is strategically placed in the long term to participate in bringing incremental volumes from liquefied natural gas terminals built in Quebec, onto the pipeline grid. Nevertheless, incremental volumes from the LNG projects would come with a risk in the consistency of supply. This risk could be mitigated with take-or-pay contracts.

TQM is regulated by the National Energy Board (NEB) and operates under a cost-of-service plus rate-of-return methodology with a deemed capital structure of 70% debt and 30% equity. In addition, the NEB determines an allowable ROE base, which is currently 9.46%. When compared with other North American pipelines that typically have equity bases of 45%-50% and allowed returns of 12%, as is the case with other Canadian regulated pipelines, the combination of a low equity base and low allowed returns results in a financial profile that is comparatively weak. Operations produce a very stable cash flow stream (FFO of about

C\$30 million per year) as the only shipper (TransCanada PipeLines, 50% owner) promptly pays the monthly toll under the take-or-pay contract, with tolls based on a cost-of service approach.

TQM's weak financial risk profile reflects its deemed capital structure, its allowed rate of return, and stable operating profile. The pipeline's leverage is consistent with its deemed equity level. TQM's cash flow protection measures, although hampered by the pipeline's regulated returns, also benefit from cost-based tolling arrangements and stable revenues. TQM's cash flow protection measures should remain fairly stable in 2006, based on the pipeline's transportation arrangements with its shipper, and its total interest costs, which are expected to remain relatively unchanged. The high component of fixed rate debt in the company's capital structure, and recent debt refinancing ensure minimal volatility in TQM's gross interest expense. While revenues have remained relatively stable (bearing in mind, a lower annual ROE figure), coverage ratios have moderately weakened as a result of deferred charges taken in 2004 relating primarily to an arbitration decision rendered earlier in the year. Given the predictability of cash flows, TQM's funds from operations (FFO) interest coverage ratio and FFO to total debt should remain above 2.2x and 8%, respectively. Should the proposed LNG projects proceed in the medium term, TQM's financial profile could become strained, as the requirement for large capital expenditure programs would pressure TQM's existing financial flexibility.

### ***Liquidity***

Standard & Poor's assesses TQM's liquidity position as adequate. The company has a C\$20 million, 364-day revolving line of credit that is unsecured and used for working capital purposes which was undrawn as at Sept. 30, 2005. TQM also recently increased its available bank facilities with the addition of a C\$85.5 million five-year term revolving loan. The company does not have a CP program, and the bank facilities do not have any ratings triggers or other restrictive covenants. The business generates sufficient cash to meet all obligations and fund capital expenditures of about C\$2 million per year. Near-term growth capital expenditures will be financed in line with TQM's deemed capital structure, and incorporated into the company's rate base.

### **Outlook**

The stable outlook reflects Standard & Poor's expectation that TQM will continue to benefit from the stable market demand for natural gas in its primary Canadian market, Quebec. In addition, the pipeline is well positioned through its link with the PNGTS to supply growing markets in the northeastern U.S. Furthermore, TQM's owners are expected to maintain their ownership interests and implicit credit support of the pipeline beyond the medium term. Should there be a change in ownership, or a deterioration in competitive position resulting from increasing business risks, without a corresponding improvement in the company's financial risk profile, a negative rating action could occur. A positive rating action is unlikely in the near to medium term, as neither the proposed growth initiatives nor the prevailing regulatory framework are likely to materially strengthen the credit profile and propel the company's overall credit profile into the 'A' ratings category.

Table 1

**Trans Quebec & Maritimes Pipeline Inc. —Peer Comparison\*****Industry Sector: Gas Pipeline Companies—Canada**

	—Average of past three fiscal years—			
	<i>Trans Quebec &amp; Maritimes Pipeline Inc</i>	<i>AltaLink L.P.†</i>	<i>Gaz Metro Inc.</i>	<i>TransCanada PipeLines Ltd.</i>
Rating	BBB+/Stable/—	A-/Stable/—	A-/Stable/—	A-/Negative/—
<b>(Mil. C\$)</b>				
Sales	86.8	139.8	1,708.8	5,226.0
Net income from cont. oper.	14.9	26.0	156.1	898.3
Funds from oper. (FFO)	34.6	70.0	328.7	1,771.9
Capital expenditures	1.9	71.7	108.3	488.7
Total debt	351.5	543.8	1,326.1	11,459.4
Preferred stock	0.0	0.0	0.0	1,067.3
Total capital	502.7	894.3	2,187.3	18,671.1
<b>Ratios</b>				
EBIT interest coverage (x)	2.0	1.9	2.6	2.3
FFO interest coverage (x)	2.4	3.2	4.5	2.7
Return on common equity (%)	9.6	7.1	17.8	14.5
NCF/capital expenditures (%)	763.4	73.7	166.9	242.3
FFO/total debt (%)	9.7	13.2	24.5	15.5
Total debt/capital (%)	69.9	61.0	60.6	61.4

\*Adjusted for off-balance-sheet obligations and capital operating leases. †Three year average includes eight-month period from May 1, 2004, to Dec. 31, 2004, and fiscal years-ended April 30 for 2004 and 2003.

Table 2

**Trans Quebec & Maritimes Pipeline Inc. —Financial Summary\*****Industry Sector: Gas Pipeline Companies—Canada**

	—Average of past three fiscal years—		—Fiscal year ended Dec. 31—			
	<i>Issuer</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>
Rating history	BBB+/Stable/—	BBB+/Stable/—	BBB+/Stable/—	BBB+/Stable/—	BBB+/Stable/—	BBB+/Stable/—
<b>(Mil. C\$)</b>						
Sales	86.8	84.5	87.8	88.2	93.1	96.6
Net income from cont. oper.	14.9	14.2	15.2	15.2	17.2	14.9
Funds from oper. (FFO)	34.6	30.3	36.1	37.6	37.9	32.3
Capital expenditures	1.9	2.0	1.0	2.8	8.2	3.5
Total debt	351.5	339.8	351.0	363.8	372.2	383.8
Preferred stock	0.0	0.0	0.0	0.0	0.0	0.0
Total capital	502.7	485.5	501.9	520.8	532.8	548.8
<b>Ratios</b>						

Table 2

<b>Trans Quebec &amp; Maritimes Pipeline Inc. —Financial Summary* (cont. 'd)</b>						
EBIT interest coverage (x)	2.0	2.0	2.1	2.1	2.1	1.9
FFO interest coverage (x)	2.4	2.3	2.5	2.6	2.4	2.0
Return on common equity (%)	9.6	9.2	9.7	9.4	10.0	10.2
NCF/capital expenditures (%)	763.4	543.9	1441.6	668.1	193.4	358.3
FFO/total debt (%)	9.7	8.8	10.1	10.2	10.0	8.3
Total debt/capital (%)	69.9	70.0	69.9	69.9	69.9	69.9

\*Adjusted by capital operating leases. NR—Not rated. NM—Not meaningful.

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**TRANS QUEBEC & MARITIMES**  
**BALANCE SHEET**  
**(\$000)**

Line No	NEB	BASE YEAR		CURRENT YEAR	TEST YEAR	
		2004.01.01	2004.12.31	2005.12.31	2006.01.01	2006.12.31
1	<b>ASSETS</b>					
2	<b>SHORT TERM</b>					
3	130 Cash	368	105	560	560	244
4	131 Special Deposits	-	1	1	1	1
5	141 Acct's Rec. - Trade	7,340	4,142	7,314	7,314	6,727
6	141 Acct's Rec. - Other	450	714	882	882	212
7	141 GST & PST Receivable	-	-	-	-	-
7	150 Plant Materials	1,604	1,603	1,599	1,599	1,599
8	153 Line Pack Gas	1,163	1,163	1,163	1,163	1,163
9	160 Prepayments	446	439	424	424	424
10	<b>TOTAL CURRENT</b>	<b>11,371</b>	<b>8,167</b>	<b>11,943</b>	<b>11,943</b>	<b>10,370</b>
11	<b>PLANT</b>					
12	100 Gas Plant In Service	808,427	808,221	841,459	841,459	876,689
13	102 Plant Held for future use	14	14	14	14	14
14	103 Retirement Work In Progress	56	1	2	2	(3)
15	105 Accumulated Depreciation	(333,205)	(355,536)	(378,388)	(378,388)	(401,277)
16	115 Gas Plant Under Construction	587	1,830	6,871	6,871	1,594
17	<b>TOTAL PLANT</b>	<b>475,879</b>	<b>454,530</b>	<b>469,958</b>	<b>469,958</b>	<b>477,018</b>
18	170 Unamortized Debt Discount	2,140	1,361	2,331	2,331	1,349
19	179 Other Deferred Debits	24,258	32,589	1,138	1,138	160
20	<b>TOTAL ASSETS</b>	<b>513,648</b>	<b>496,647</b>	<b>485,370</b>	<b>485,370</b>	<b>488,897</b>
21	<b>LIABILITIES</b>					
22	<b>SHORT TERM</b>					
23	250 Loans & Notes Payable	-	-	-	-	-
24	251 Acct's payable & Accrued	3,247	3,145	3,974	3,974	5,834
25	256 Taxes payable & Accrued	-	-	-	-	-
26	257 Interest payable	6,245	6,306	5,055	5,055	5,097
27	258 Long Term Debt due within one year	-	85,000	-	-	-
27	279 Other deferred Credits	1,215	974	535	535	8
28	<b>TOTAL CURRENT</b>	<b>10,707</b>	<b>95,425</b>	<b>9,564</b>	<b>9,564</b>	<b>10,939</b>
29	220 Long Term Debt	350,800	254,600	332,000	332,000	334,013
30	291 Pension	1,230	997	854	854	852
31	205 Partners' Equity	150,911	145,625	142,952	142,952	143,093
32	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>513,648</b>	<b>496,647</b>	<b>485,370</b>	<b>485,370</b>	<b>488,897</b>

**TRANS QUEBEC & MARITIMES  
 INCOME STATEMENT  
 (\$000)**

<b>Line No</b>	<b>NEB</b>	<b>BASE YEAR 2004</b>	<b>CURRENT YEAR 2005</b>	<b>TEST YEAR 2006</b>
1				
	OPERATING REVENUE			
2	300 Operating Revenue	84,468	87,538	80,306
3	OPERATING EXPENSES			
4	301 Operating Expenses	11,300	13,809	14,450
5	301 NEB Recovery Costs	813	618	604
6	303 Depreciation	22,528	22,854	22,791
7	304 Amortization	-	-	-
8	305 Municipal & Other Taxes	4,437	4,320	4,194
9	306 Income Taxes	9,537	9,914	6,958
10	TOTAL EXPENSES	<u>48,615</u>	<u>51,515</u>	<u>48,996</u>
11	OTHER INCOME			
12	319 Other Revenue	1,627	212	-
13	324 Interest during Construction	28	202	1,102
14	329 Other deductions	(112)	(11)	-
15	TOTAL OTHER INCOME	<u>1,543</u>	<u>403</u>	<u>1,102</u>
16	FINANCIAL CHARGES			
17	320 Interest on Long Term Debt	20,843	19,518	18,710
18	321 Amortization of Debt Discount	2,261	2,204	983
19	323 Other Interest	76	76	25
	TOTAL FINANCIAL CHARGES	<u>23,180</u>	<u>21,798</u>	<u>19,718</u>
	<b>NET INCOME</b>	<b><u>14,216</u></b>	<b><u>14,628</u></b>	<b><u>12,694</u></b>

**TRANS QUEBEC & MARITIMES  
 RETAINED EARNINGS  
 (\$000)**

<b>Line No</b>	<b>NEB</b>		<b>BASE YEAR 2004</b>	<b>CURRENT YEAR 2005</b>	<b>TEST YEAR 2006</b>
1		Retained Earnings			
2		At beginning of Period	15,206	14,216	14,628
3	205	Balance transferred	14,216	14,628	12,694
4		Return on Equity	(15,206)	(14,216)	(14,628)
5		Retained Earnings			
6		At End of Period	<b>14,216</b>	<b>14,628</b>	<b>12,694</b>

**TRANS QUEBEC & MARITIMES  
 OPERATING REVENUES  
 (\$000)**

<b>Line No</b>	<b>NEB</b>		<b>BASE YEAR 2004</b>	<b>CURRENT YEAR 2005</b>	<b>TEST YEAR 2006</b>
1	570	Transportation & Storage	84,198	86,519	80,402
2		Storage Revenue	297	298	281
3		Miscellaneous Revenue	66	67	66
4	300	Deferred Revenue	(93)	654	(443)
5		<b>TOTAL OPERATING REVENUE</b>	<b>84,468</b>	<b>87,538</b>	<b>80,306</b>

**TRANS QUEBEC & MARITIMES  
 CASH FLOWS  
 (\$000)**

<b>Line No</b>		<b>BASE YEAR 2004</b>	<b>CURRENT YEAR 2005</b>	<b>TEST YEAR 2006</b>
1	OPERATING ACTIVITIES:			
2	Partners' Income	14,216	14,628	12,694
3	Non-Cash Items:			
4	- Depreciation and Amorization	22,528	22,854	22,789
5	- Amortization of Discount and Expenses related to Long-Term Debt	2,261	2,204	983
6	- Other Deferred Charges	(8,805)	(1,289)	449
7		<u>30,200</u>	<u>38,397</u>	<u>36,916</u>
8	Changes in Working Capital Items	2,900	(3,742)	3,158
9	CASH FLOWS FROM OPERATING ACTIVITIES	<u><b>33,100</b></u>	<u><b>34,655</b></u>	<u><b>40,075</b></u>
10	INVESTING ACTIVITIES:			
11	- Additions to Plant,Property and Equipment	(1,967)	(6,132)	(29,850)
12	- Proceeds from disposal of Plant,Property and Equipment	788	8	-
13	CASH FLOW FROM INVESTING ACTIVITIES	<u><b>(1,179)</b></u>	<u><b>(6,124)</b></u>	<u><b>(29,850)</b></u>
14	FINANCING ACTIVITIES:			
15	- Bank Indebtness	-	0	0
16	- Repayment of Term Loan	(11,200)	-	(23,567)
17	- Term Loan	-	2,400	25,580
18	- Repayment of Bonds	-	(85,000)	-
19	- Bonds Issued	-	75,000	-
20	- Issue Cost	-	-	-
21	- Deferred Charges relating to financing activities	(1,482)	(3,174)	-
22	- Contribution by Partners	-	-	-
23	- Withdrawals by Partners	(19,502)	(17,302)	(12,553)
24	CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u><b>(32,184)</b></u>	<u><b>(28,076)</b></u>	<u><b>(10,540)</b></u>
25	Net Increase (Decrease) in Cash	(263)	455	(316)
26	Cash at Beginning of period	<u>368</u>	<u>105</u>	<u>560</u>
27	Cash Position at End of period	<u><b>105</b></u>	<u><b>560</b></u>	<u><b>244</b></u>

**TRANS QUEBEC & MARITIMES**  
**Annual Reports**

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The most recent Annual Reports of Gaz Metro Limited Partnership and of TransCanada can be found on their web sites; [www.gazmetro.com](http://www.gazmetro.com) and [www.transcanada.com](http://www.transcanada.com) respectively.

## TARIFF REVISIONS

The following tariff revisions are proposed:

- a) Toll Schedule T-1 shown on sheet 203 is decreased from \$7,206,750 per month to \$6,700,167 per month effective January 1, 2006. Such revision appears on page 2 hereof.
  
- b) Toll Schedule SGT-GMLP tolls shown on sheet 5 of 13 are modified from \$1.55/10<sup>3</sup>m<sup>3</sup> to \$1.42/10<sup>3</sup>m<sup>3</sup> for deliveries to Trois-Rivières, from \$7.39/10<sup>3</sup>m<sup>3</sup> to \$6.78/10<sup>3</sup>m<sup>3</sup> for deliveries to points located downstream of Trois-Rivières and from \$2.60/10<sup>3</sup>m<sup>3</sup> to \$2.39/10<sup>3</sup>m<sup>3</sup> for deliveries to points located upstream of Saint-Nicolas. Such revisions appear on page 3 hereof.
  
- c) The Storage Fee in effect under Toll Schedule TS-SCGM is unchanged at \$3,875 per month pursuant to an amendment dated October 30, 1995 to the Transportation and Storage Service with Gaz Métro.
  
- d) The proposed toll under Toll Schedule BGT shown on sheet 5 of 10 is modified from \$0.89/10<sup>3</sup>m<sup>3</sup> to \$0.81/10<sup>3</sup>m<sup>3</sup> for deliveries of refined biogas to points serving Gaz Métro's markets. This toll appears on page 4 hereof.

Sheet 203

## **TOLL SCHEDULE T-1**

### **FIRM SERVICE**

#### **6. TOLLS**

Shipper's Monthly Charge for transportation service hereunder for each billing Month beginning with Shipper's First Billing Month shall be Shipper's Allocable Share of \$ 6,700,167. The said monthly charge is payable notwithstanding any failure by Shipper during such month, for any reason whatsoever including force majeure, to deliver or to cause to be delivered any portion of the gas to be delivered to Company at the Receipt points.

EFFECTIVE DATE: 1 JANUARY 2006

TRANS QUÉBEC & MARITIMES PIPELINE INC.

SGT-SCGM TOLL SCHEDULE

STORAGE GAS TRANSPORTATION

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2.5 The daily volume of gas shall be taken at rates of flow as nearly constant as possible. Departures from scheduled daily deliveries due to the inability of TQM Pipeline or Gaz Métro to maintain precise control shall be kept to the minimum permitted by operating conditions.

2.6 Determination of daily deliveries to delivery points is provided in Section XIII of the General Terms and conditions.

3. TOLL

3.1 The applicable toll for service hereunder is as follows:

**Transportation Charge**

**Commodity Toll**

**\$/10<sup>3</sup>m<sup>3</sup>**

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<u>Trois-Rivières</u>	<u>Delivery Points Downstream of Trois-Rivières</u>	<u>Delivery Points Upstream of St-Nicolas</u>
1.42	6.78	2.39

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EFFECTIVE DATE: 1 JANUARY 2006

**TRANS QUÉBEC & MARITIMES PIPELINE INC.**

BGT TOLL SCHEDULE

BIOGAS TRANSPORTATION

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3. TOLL

3.2 The applicable toll for service hereunder is as follows:

**Transportation Charge**

**Commodity Toll**

**$\$/10^3\text{m}^3$**

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0.81

3.1 The monthly bill for deliveries for service hereunder shall be equal to the transportation charge for the billing months, calculated by multiplying the commodity toll set forth in Article 3.1 by the gas volume effectively received from EBI and transported by TQM Pipeline as provided hereunder.

The commodity toll is calculated on the basis of the total revenue requirement of TQM Pipeline, as authorized by the National Energy Board or pursuant to the methodology applicable, by dividing this revenue requirement by the volume-distance of all gas to be delivered

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EFFECTIVE DATE: 1 JANUARY 2006

*Description of Services*

- (a) The applicant proposes to offer Firm T-1 Service, Overrun OT-1 Service, TS Service (TS-GMLP), SGT Service (SGT-GMLP) and BGT Service.

A brief description of these services follows:

FIRM SERVICE:

Applicant undertakes to transport for a shipper subject to no curtailment or interruption (except as provided in the general terms and conditions of the tariff) the daily volumes of gas received from shipper. However, TQM Pipeline is not obligated to transport more gas than the maximum daily volumes specified under the contract.

OVERRUN SERVICE:

Subject to available capacity, Applicant undertakes to transport on a best effort basis for those shippers having entered into firm service contracts, quantities of gas in excess of the maximum daily quantities mentioned in the contract.

TS SERVICE:

Applicant undertakes to store and transport gas for Gaz Métro between Saint-Maurice and points downstream of Saint-Maurice on its system, pursuant to Toll Schedule TS-GMLP.

SGT SERVICE:

Applicant undertakes to transport storage gas for Gaz Métro from Pointe-du-Lac to Trois-Rivières and, for any excess volumes, to points downstream of Trois-Rivières on its system, and to transport gas received at Saint-Nicolas to points upstream of Saint-Nicolas pursuant to Toll Schedule SGT-GMLP.

BGT SERVICE:

Applicant undertakes to transport EBI Bio-Environment's refined biogas from Sainte-Geneviève-de-Berthier to points serving Gaz Métro's markets pursuant to Toll Schedule BGT.

- (b) Applicant has no toll zones.
- (c) TQM Pipeline transports gas on behalf of TransCanada PipeLines only. The total monthly toll of the Applicant would therefore be charged to TransCanada, as adjusted for any revenues received for the TS-GMLP, the SGT-GMLP and the BGT Services.

TQM Pipeline's toll which is charged to TransCanada includes the cost of service to provide the minimum delivery pressure requested by TransCanada at East Hereford. The computation of this cost of service is set out hereafter.

**TQM Pipeline Inc.**  
**Compression Costs**  
**Calculation of Cost of Service to provide a pressure above 4 000 kPa at East Hereford**  
**2006**

	LACHENAIE	LACHENAIE at 23.286%	E HEREFORD	THICKNESS	OTHERS	TOTAL
Operating Expenses	209.0	48.7	186.0	0.0	0.0	<b>234.7</b>
Depreciation	583.5	135.9	382.1	479.5	0.0	<b>997.5</b>
Municipal & Other Taxes						
Municipal Taxes	25.1	5.8	4.7	0.0	0.0	<b>10.5</b>
Capital Taxes	53.1	12.4	34.4	50.3	0.0	<b>97.1</b>
Total	<u>78.2</u>	<u>18.2</u>	<u>39.1</u>	<u>50.3</u>	<u>0.0</u>	<b>107.6</b>
Income Taxes						
Income Taxes	-131.9	-30.7	-98.4	146.8	0.0	<b>17.7</b>
Large Corporation Taxes	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
Total Income Taxes	<u>-131.9</u>	<u>-30.7</u>	<u>-98.4</u>	<u>146.8</u>	<u>0.0</u>	<b>17.7</b>
Return	1,194.8	278.2	780.4	972.0	0.0	<b>2,030.6</b>
Fuel Cost	1,153.8	268.7	853.4	0.0	0.0	<b>1,122.1</b>
Total Cost of Service	<u><u>3,087.4</u></u>	<u><u>719.0</u></u>	<u><u>2,142.6</u></u>	<u><u>1,648.6</u></u>	<u><u>0.0</u></u>	<b><u><u>4,510.2</u></u></b>

**Trans Quebec & Maritimes Pipelines Inc.**  
**TOLL DESIGN**

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**T-1 Firm Transportation Service**

The toll for which Board approval is sought in this Application for Rate Schedule T-1 is \$6.700 million per month for 2006. The design of this toll follows the methodology employed by the Board in establishing the fixed monthly tolls prescribed by Board Order TG-2-84.

Following are the computations of the fixed monthly toll for Rate Schedule T-1 for the 2006 Test Year.

	<b>2006</b>
Transmission Cost of Service	\$80.402 million
Number of months in Test Year	12
Rate Schedule T-1 Toll per month	\$6.700 million

**STORAGE GAS TRANSPORTATION SGT-GMi**

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**CALCULATION OF COMMODITY TOLL  
 2006 TEST YEAR**

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TQM Pipeline Total Forecasted Deliveries in 2006	:	4,535,000 10 <sup>3</sup> m <sup>3</sup>
TQM Pipeline System Forecasted Load Centre in 2006	:	177.5 km
Transportation distance pursuant to the SGT Contract for deliveries of Pointe-du-Lac gas to the Trois-Rivières delivery point	:	14.2 km
Transportation distance pursuant to the SGT Contract for deliveries of Pointe-du-Lac gas to the delivery points downstream of the Trois-Rivières delivery point	:	67.6 km
Transportation distance pursuant to the SGT Contract for deliveries of Saint-Nicolas gas delivery points upstream of the Saint-Nicolas delivery point	:	23.8 km
TQM Pipeline 2006 Forecasted Revenue Requirement	:	\$80,683,000

• **SGT-GMi TOLL SCHEDULE COMMODITY TOLL FOR DELIVERIES OF POINTE-DU-LAC GAS TO TROIS-RIVIÈRES:**

$$t = \frac{\$80,683,000}{4,535,000 \text{ } 10^3\text{m}^3 \times 177.5 \text{ km}} \times 14.2 \text{ km}$$

$$t = \$1.42/10^3\text{m}^3$$

STORAGE GAS TRANSPORTATION SGT-GMI - CALCULATION OF COMMODITY TOLL - 2006 TEST YEAR (continued)

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- **SGT-GMi TOLL SCHEDULE COMMODITY TOLL FOR DELIVERIES OF POINTE-DU-LAC GAS TO DELIVERY POINTS DOWNSTREAM OF TROIS-RIVIÈRES:**

$$t = \frac{\$80,683,000}{4,535,000 \text{ } 10^3\text{m}^3 \times 177.5 \text{ km}} \times 67.6 \text{ km}$$

$$t = \$6.78/10^3\text{m}^3$$

- **SGT-GMi TOLL SCHEDULE COMMODITY TOLL FOR DELIVERIES OF SAINT-NICOLAS GAS TO DELIVERY POINTS UPSTREAM OF SAINT-NICOLAS:**

$$t = \frac{\$80,683,000}{4,535,000 \text{ } 10^3\text{m}^3 \times 177.5 \text{ km}} \times 23.8 \text{ km}$$

$$t = \$2.39/10^3\text{m}^3$$

**BIOGAS TRANSPORTATION**

---

**CALCULATION OF COMMODITY TOLL  
 2006 TEST YEAR**

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TQM Pipeline Total Forecasted Deliveries in 2006	:	4,535,000 10 <sup>3</sup> m <sup>3</sup>
TQM Pipeline System Forecasted Load Centre in 2006	:	177.5 km
GMI's Markets Forecasted Load Centre in 2006	:	134.1 km
Sainte-Geneviève-de-Berthier km post	:	126.0 km
Transportation distance pursuant to the BGT Contract for deliveries of Saint-Geneviève-de-Berthier gas to GMI's markets load centre	:	8.1 km
TQM Pipeline 2006 Forecasted Revenue Requirement	:	\$80,683,000

**• BGT TOLL SCHEDULE COMMODITY TOLL FOR DELIVERIES OF SAINTE-GENEVIÈVE-DE-BERTHIER GAS TO GMI's MARKETS LOAD CENTRE:**

$$t = \frac{\$80,683,000}{4,535,000 \text{ } 10^3\text{m}^3 \times 177.5 \text{ km}} \times 8.1 \text{ km}$$

$$t = \$0.81/10^3\text{m}^3$$

**TRANS QUÉBEC & MARITIMES PIPELINE INC.**  
**CALCULATION OF TS, SGT AND BGT REVENUES**

	Current Year 2005	Adjustment	Test Year 2006
	-----	-----	-----
<b>Storage Revenues</b>			
Volume (10 <sup>6</sup> m <sup>3</sup> )	0.0	0.0	0.0
Injection Fees (000\$)	0.0	0.0	0.0
Storage Fees (000\$)	46.5	0.0	46.5
<b>Sub-Total (000\$)</b>	<b>46.5</b>	<b>0.0</b>	<b>46.5</b>
<b>Storage Gas Transportation Revenues</b>			
Volume (10 <sup>6</sup> m <sup>3</sup> )	99.0	(6.0)	93.0
Transportation Charges (000\$)	251.1	(46.6)	194.9
<b>Sub-Total (000\$)</b>	<b>251.1</b>	<b>(46.6)</b>	<b>194.9</b>
<b>Biogas Transportation Revenues</b>			
Volume (10 <sup>6</sup> m <sup>3</sup> )	11.0	11.0	22.0
Transportation Charges (000\$)	38.7	0.5	39.2
<b>Sub-Total (000\$)</b>	<b>38.7</b>	<b>0.5</b>	<b>39.2</b>
<b>Total (000\$)</b>	<b>336.3</b>	<b>(46.1)</b>	<b>280.6</b>

## TRANS QUÉBEC & MARITIMES PIPELINE INC.

### THROUGHPUT

	Distance km	Volumes 10 <sup>6</sup> m <sup>3</sup>	
		Current Year 2005	Test Year 2006
<b>Receipts</b>			
<b>TransCanada PipeLines Limited</b>			
Saint-Lazare	-	4,603	4,420
<b>Gaz Métro, inc.</b>			
Pointe-du-Lac	180.1	31	28
Saint-Nicolas (1)	309.7	68	65
Saint-Maurice (2)	200.6	-	-
		99	93
<b>EBI Bio-Environnement Inc.</b>			
Sainte-Geneviève-de-Berthier (3)	126.0	11	22
<b>Deliveries (4)</b>			
Oka	16.8	2	2
Mirabel	39.0	6	6
Boisbriand	45.3	1,420	1,444
Mirabel (Saint-Janvier)	53.3	22	22
Terrebonne 2	55.3	4	3
Saint-Jérôme	56.4	89	96
Terrebonne	65.8	19	18
Mascouche	74.3	4	5
L'Assomption	88.4	28	27
Lavaltrie	110.8	-	-
Lanoraie	116.8	2	2
Joliette	123.0	53	54
Berthierville	130.7	6	6
Louiseville	159.6	13	14
Yamachiche	169.3	3	5
Pointe-du-Lac	180.1	34	29
Trois-Rivières	194.3	224	231
Saint-Maurice	200.6	319	338
Becancour	204.8	-	163
Sainte-Anne-de-la-Pérade	231.9	-	-
Deschambault	256.0	18	18
Portneuf	262.3	25	29
Donnacona	276.2	1	1
Pénitencier de Donnacona	278.6	1	1
Saint-Augustin-de-Desmaures	298.2	250	253
St Flavien TQM	309.6	123	132
Saint-Nicolas	309.6	112	104
Waterloo	183.9	173	192
Coaticook	260.2	4	4
East Hereford	296.0	1,762	1,336
		4,717	4,535

- (1) Receipts at Saint-Nicolas represent gas received and transported to delivery points upstream of Saint-Nicolas, excluding Saint-Maurice and delivery points upstream of Saint-Maurice.
- (2) Receipts at Saint-Maurice represent gas received for storage.
- (3) Receipts at Sainte-Geneviève-de-Berthier represent refined biogas received and transported to Gaz Métro's markets served by TQM Pipeline.
- (4) Total deliveries equal receipts at Saint-Lazare, Pointe-du-Lac, Saint-Nicolas and Sainte-Geneviève-de-Berthier, except for rounding.

**TRANS QUÉBEC & MARITIMES PIPELINE INC.**  
**CONTRACT QUANTITIES**

<b>Location</b>	<b>Class of Service</b>	<b>Maximum Daily 10<sup>3</sup>m<sup>3</sup></b>	
		<b>2005 / 2006</b>	<b>2006 / 2007</b>
<b>Receipts</b>			
<b>TransCanada PipeLines</b>			
Saint-Lazare	T-1 Service	19,690	22,367
<b>Gaz Métropolitain</b>			
Pointe-du-Lac	SGT-GMi	n.a.	n.a.
Saint-Nicolas	SGT-GMi	n.a.	n.a.
Saint-Maurice	TS-GMi	n.a.	n.a.
<b>EBI Bio-Environnement Inc.</b>			
Sainte-Genève-de-Berthier	BGT	n.a.	n.a.
<b>Deliveries</b>			
Oka, Mirabel Boisbriand, Saint-Janvier, Saint-Jérôme, Terrebonne2, Terrebonne, Mascouche, L'Assomption Joliette, Lavaltrie, Lanoraie Berthierville, Louiseville, Yamachiche Pointe-du-Lac, Trois-Rivières Ouest, Saint-Maurice, Sainte-Anne-de- la-Pérade, Deschambault, Portneuf, Donnacona, Saint-Augustin-de-Desmaures Saint-Nicolas, Waterloo Coaticook, East Hereford	T-1 Service	19,690	22,367

## Trans Québec & Maritimes Pipeline Inc.

### Heating Value

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The average monthly heating values for the period January 1, 2005 to December 31, 2006, at the receipt point of Saint-Lazare as well as at all delivery points on the system, are as follows; it should be noted that receipts of biogas at Berthier will not have any significant impact downstream.

<u>MONTH</u>	<u>2005 MJ/m<sup>3</sup></u>	<u>2006 MJ/m<sup>3</sup></u>
January	37.44	37.26
February	37.50	37.31
March	37.43	37.29
April	37.31	37.26
May	37.58	37.32
June	37.40	37.27
July	37.36	37.26
August	37.33	37.22
September	37.24	37.24
October	37.27	37.27
November	37.23	37.23
December	37.32	37.32

**Trans Québec & Maritimes Pipeline Inc.**

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**COMPARATIVE REVENUES (\$000)**

	(i) Existing Toll	(ii) Proposed Toll
	-----	-----
		<b>2006</b>
		-----
Firm T-1 Service	86,481	80,402
TS-GMLP	46.5 (0.0 10 <sup>6</sup> m <sup>3</sup> )	46.5 (0.0 10 <sup>6</sup> m <sup>3</sup> )
SGT-GMLP	212.6 (93.0 10 <sup>6</sup> m <sup>3</sup> )	195.1 (93.0 10 <sup>6</sup> m <sup>3</sup> )
BGT Service	39.2 (10.0 10 <sup>6</sup> m <sup>3</sup> )	39.2 (22.0 10 <sup>6</sup> m <sup>3</sup> )