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February 27, 2009

National Energy Board
444 Seventh Avenue S.W.
Calgary, Alberta
T2P 0X8

Filed Electronically

Attention: Ms. Claudine Dutil-Berry, Board Secretary

Dear Ms. Dutil-Berry:

**RE: Foothills Pipe Lines Ltd. (“Foothills”)
Annual Surveillance Report
For the Twelve Months Ended December 31, 2008**

Enclosed is a copy of Foothills’ Annual Surveillance Report for the twelve months ended December 31, 2008.

Foothills is notifying shippers of the availability of this filing in the Board’s repository as well as on TransCanada PipeLines Limited’s Foothills System Website at the address below.

http://www.transcanada.com/Foothills/regulatory/reg_filings/index.htm

If you have any questions or concerns with respect to the enclosed please contact Alex Harris at 403-920-6201.

Yours truly,

Foothills Pipe Lines Ltd.

A wholly owned subsidiary of TransCanada PipeLines Limited

Original Signed by

Murray Sondergard
Director, Regulatory Services

cc. Interested Parties – TG-6-81
Foothills Firm and Interruptible Shippers

Foothills Pipe Lines Ltd.

Annual Surveillance Report

For the Period Ended December 31, 2008

The NEB Annual Surveillance Report is a special purpose financial summary intended for the use of the National Energy Board and its staff. The Report is provided to enable the Board to monitor the Company's utility operations in comparison with the revenues and expenditures approved for the test year.

Pursuant to Guide BB of the Board's Filing Manual Foothills submits its year-end report for 2008.

CONTENTS

- 1 Income Summary
 - (a) Foothills Pipe Lines (Alta.) Ltd - Zone 6
 - (b) Foothills Pipe Lines (Alta.) Ltd - Zone 7
 - (c) Foothills Pipe Lines (South B.C.) Ltd - Zone 8
 - (d) Foothills Pipe Lines (Sask.) Ltd - Zone 9

- 2 Average Rate Base
 - (a) Foothills Pipe Lines (Alta.) Ltd - Zone 6
 - (b) Foothills Pipe Lines (Alta.) Ltd - Zone 7
 - (c) Foothills Pipe Lines (South B.C.) Ltd - Zone 8
 - (d) Foothills Pipe Lines (Sask.) Ltd - Zone 9

- 3 Throughput Detail

- 4 Payroll Statistics
 - Salaries, Wages, and Employee Benefits

- 5 Payroll Statistics
 - Employee Allocation

- 6 Deferral Accounts

- 7 Performance Measures

- 8 Intercorporate Transactions

FOOTHILLS PIPE LINES (ALTA.) LTD. - ZONE 6
INCOME SUMMARY
(For Twelve Months Ended December 31, 2008)
(\$000)

Particulars	NEB Accounts	Period Actual	Decision	Variance (c) - (d)	Note
(a)	(b)	(c)	(d)	(e)	
Revenue					
Transportation Revenue	300	64,805	70,995	(6,189)	
Special Charge & Incentive Settlement		4,484	4,502	(19)	
Total Revenue		<u>69,289</u>	<u>75,497</u>	<u>(6,208)</u>	
Operating Expenses					
Salaries, Wages & Benefits	301	4,455	5,107	(652)	(1)
Fuel & Power	301	9,992	13,915	(3,923)	(2)
Emissions Compliance Costs	301	346	-	346	(3)
Other Operating & Maintenance	301	10,578	11,421	(843)	(1)
Depreciation & Amortization	303-304	15,784	15,903	(120)	
Income Taxes	306	6,290	6,534	(244)	(4)
Taxes Other than Income	305	3,275	3,375	(100)	
NEB Cost Recovery	301	2,488	2,842	(354)	(5)
Total Operating Expenses		<u>53,206</u>	<u>59,097</u>	<u>(5,890)</u>	
Operating Income		16,083	16,400	(318)	
Financial Charges		5,900	6,061	(161)	
Special Charge and Incentive Settlement		4,484	4,502	(19)	
Equity Return		<u>5,699</u>	<u>5,837</u>	<u>(138)</u>	
Return on Rate Base		6.39%	6.39%		
Return on Common Equity		8.71%	8.71%		

* Numbers may not add up to totals due to rounding.

Note:

- 1) Variance is due to lower field operation, maintenance, and repair & overhaul activity than forecast.
- 2) Variance is due to Jenner compressor being recommissioned later than forecast.
- 3) Emissions compliance costs were not included in forecast.
- 4) Variance is due to a lower than forecast tax rate and equity return.
- 5) Final NEB Cost Recovery was lower than forecast due to relief provided from the NEB.

FOOTHILLS PIPE LINES (ALTA.) LTD. - ZONE 7
INCOME SUMMARY
(For Twelve Months Ended December 31, 2008)
(\$000)

Particulars	NEB Accounts	Period Actual	Decision	Variance (c) - (d)
(a)	(b)	(c)	(d)	(e)
Revenue				
Transportation Revenue	300	8,032	8,123	(91)
Special Charge & Incentive Settlement		488	485	3
Total Revenue		<u>8,520</u>	<u>8,608</u>	<u>(88)</u>
Operating Expenses				
Salaries, Wages & Benefits	301	507	581	(74)
Other Operating & Maintenance	301	839	801	38
Depreciation & Amortization	303-304	2,973	2,989	(16)
Income Taxes	306	1,192	1,160	32
Taxes Other than Income	305	870	897	(27)
NEB Cost Recovery	301	283	323	(40)
Total Operating Expenses		<u>6,664</u>	<u>6,752</u>	<u>(88)</u>
Operating Income		1,856	1,856	(0)
Financial Charges		695	697	(2)
Special Charge & Incentive Settlement		488	485	3
Equity Return		<u>673</u>	<u>674</u>	<u>(1)</u>
Return on Rate Base		6.39%	6.39%	
Return on Common Equity		8.71%	8.71%	

* Numbers may not add up to totals due to rounding.

FOOTHILLS PIPE LINES (SOUTH B.C.) LTD. - ZONE 8
INCOME SUMMARY
(For Twelve Months Ended December 31, 2008)
(\$000)

Particulars	NEB Accounts	Period Actual	Decision	Variance (c) - (d)	Note
(a)	(b)	(c)	(d)	(e)	
Revenue					
Transportation Revenue	300	66,638	70,357	(3,719)	
Special Charge & Incentive Settlement		373	2,500	(2,127)	(1)
Total Revenue		<u>67,011</u>	<u>72,856</u>	<u>(5,845)</u>	
Operating Expenses					
Salaries, Wages & Benefits	301	2,127	2,438	(311)	(2)
Fuel & Power	301	377	401	(24)	
Emissions Compliance Costs	301	908	-	908	(3)
Other Operating & Maintenance	301	10,770	12,081	(1,311)	(2)
Depreciation & Amortization	303-304	17,506	17,637	(131)	
Income Taxes	306	7,210	8,588	(1,378)	(4)
Taxes Other than Income	305	9,391	10,055	(664)	(5)
NEB Cost Recovery	301	1,188	1,357	(169)	
Total Operating Expenses		<u>49,477</u>	<u>52,558</u>	<u>(3,081)</u>	
Operating Income		17,534	20,299	(2,765)	
Financial Charges		8,727	9,064	(337)	
Special Charge & Incentive Settlement		373	2,500	(2,127)	(1)
Equity Return		<u>8,434</u>	<u>8,735</u>	<u>(301)</u>	
Return on Rate Base		6.39%	6.39%		
Return on Common Equity		8.71%	8.71%		

* Numbers may not add up to totals due to rounding.

Note:

- 1) Variance is due to a difference in the calculation of overhead on field labour costs related to 2007 and 2008.
- 2) Variance is due to lower field operation, maintenance, and repair & overhaul activity than forecast.
- 3) Emissions compliance costs were not included in forecast.
- 4) Variance is due to a lower than forecast tax rate and equity return.
- 5) Variance is due to lower than forecast fuel tax.

FOOTHILLS PIPE LINES (SASK) LTD. - ZONE 9
INCOME SUMMARY
(For Twelve Months Ended December 31, 2008)
(\$000)

Particulars	NEB Accounts	Period Actual	Decision	Variance (c) - (d)	Note
(a)	(b)	(c)	(d)	(e)	
Revenue					
Transportation Revenue	300	56,043	57,271	(1,228)	
Special Charge & Incentive Settlement		1,767	1,871	(104)	
Total Revenue		<u>57,810</u>	<u>59,142</u>	<u>(1,332)</u>	
Operating Expenses					
Salaries, Wages & Benefits	301	1,612	1,848	(236)	(1)
Fuel & Power	301	502	735	(233)	(2)
Other Operating & Maintenance	301	4,856	5,337	(481)	(1)
Depreciation & Amortization	303-304	17,940	17,984	(45)	
Income Taxes	306	8,550	8,606	(56)	
Taxes Other than Income	305	4,361	4,250	111	
NEB Cost Recovery	301	900	1,028	(128)	
Total Operating Expenses		<u>38,721</u>	<u>39,788</u>	<u>(1,067)</u>	
Operating Income		19,089	19,354	(265)	
Financial Charges		8,810	8,896	(86)	
Special Charge & Incentive Settlement		1,767	1,871	(104)	
Equity Return		<u>8,512</u>	<u>8,587</u>	<u>(75)</u>	
Return on Rate Base		6.39%	6.39%		
Return on Common Equity		8.71%	8.71%		

* Numbers may not add up to totals due to rounding.

Note:

1) Variance is due to lower field operation, maintenance, and repair & overhaul activity than forecast.

2) Variance is due to lower than forecast throughput.

FOOTHILLS PIPE LINES LTD. - Zone 6
AVERAGE RATE BASE
(For Twelve Months Ended December 31, 2008)
(\$000's)

Particulars	Period Actual	Decision	Variance (b) - (c)	Note
(a)	(b)	(c)	(d)	
Plant in Service				
Net Plant	177,455	181,491	(4,036)	(1)
Contributions in Aid of Construction	(1,027)	(1,027)	-	
Total Plant	<u>176,429</u>	<u>180,464</u>	<u>(4,036)</u>	
Working Capital				
Prepayments and Deposits	643	643	-	
Cash	3,482	4,161	(679)	(2)
Inventory	971	920	51	
Total Working Capital	<u>5,096</u>	<u>5,724</u>	<u>(628)</u>	
Total Average Rate Base	<u>181,524</u>	<u>186,188</u>	<u>(4,664)</u>	

* Numbers may not add up to totals due to rounding.

Note:

- 1) Variance is due to planned capital additions occurring later in the year than forecast.
- 2) Variance is due to lower field operation, maintenance, and repair & overhaul activity than forecast.

FOOTHILLS PIPE LINES LTD. - Zone 7
AVERAGE RATE BASE
(For Twelve Months Ended December 31, 2008)
(\$000's)

Particulars	Period Actual	Decision	Variance (b) - (c)	Note
(a)	(b)	(c)	(d)	
Plant in Service				
Net Plant	21,199	21,239	(40)	
Contributions in Aid of Construction	-	-	-	
Total Plant	21,199	21,239	(40)	
Working Capital				
Prepayments and Deposits	1	1	0	
Cash	204	213	(9)	
Inventory	-	-	-	
Total Working Capital	204	214	(9)	
Total Average Rate Base	21,403	21,453	(50)	

* Numbers may not add up to totals due to rounding.

FOOTHILLS PIPE LINES LTD. - Zone 8
AVERAGE RATE BASE
(For Twelve Months Ended December 31, 2008)
(\$000's)

Particulars	Period Actual	Decision	Variance (b) - (c)	Note
(a)	(b)	(c)	(d)	
Plant in Service				
Net Plant	265,517	275,116	(9,599)	(1)
Contributions in Aid of Construction	(1,762)	(1,762)	-	
Total Plant	<u>263,755</u>	<u>273,354</u>	<u>(9,599)</u>	
Working Capital				
Prepayments and Deposits	-	-	-	
Cash	2,232	2,410	(178)	
Inventory	2,565	2,766	(201)	(2)
Total Working Capital	<u>4,797</u>	<u>5,176</u>	<u>(379)</u>	
Total Average Rate Base	<u>268,552</u>	<u>278,530</u>	<u>(9,978)</u>	

* Numbers may not add up to totals due to rounding.

Note:

- 1) Variance is due to a higher opening accumulated depreciation balance than that included in forecast. Opening accumulated depreciation amounts related to the BC System were omitted.
- 2) Variance is primarily due to an inventory optimization project.

FOOTHILLS PIPE LINES LTD. - Zone 9
AVERAGE RATE BASE
(For Twelve Months Ended December 31, 2008)
(\$000's)

Particulars	Period Actual	Decision	Variance (b) - (c)	Note
(a)	(b)	(c)	(d)	
Plant in Service				
Net Plant	269,488	271,856	(2,368)	(1)
Contributions in Aid of Construction	(261)	(261)	-	
Total Plant	<u>269,227</u>	<u>271,595</u>	<u>(2,368)</u>	
Working Capital				
Prepayments and Deposits	-	-	-	
Cash	984	1,118	(134)	
Inventory	869	907	(38)	
Total Working Capital	<u>1,852</u>	<u>2,025</u>	<u>(173)</u>	
Total Average Rate Base	<u>271,079</u>	<u>273,620</u>	<u>(2,541)</u>	

* Numbers may not add up to totals due to rounding.

Note:

1) Variance is due to lower capital additions than forecast.

FOOTHILLS PIPE LINES LTD.
THROUGHPUT DETAIL
(For Twelve Months Ended December 31, 2008)
(TJ)

Particulars (a)	Service	Zone	2008 Actual (b)	2008 Forecast ⁽¹⁾ (c)	Variance (b-c) (d)	Note
Canadian Volumes:	FT	8	30,197.9	0.0	30,197.9	(2)
	STFT	8	0.0	0.0	0.0	
	IT	8	943.9	0.0	943.9	(2)
Export Volumes:	FT	8	669,939.8	849,043.1	(179,103.3)	(3)
	STFT	8	32,429.1	42,701.2	(10,272.1)	(3)
	IT	8	15,945.5	2,636.0	13,309.5	(3)
Total Volumes:			749,456.1	894,380.4	(144,924.2)	
Canadian Volumes:	SGS-1	9	57.2	48.7	8.5	
Export Volumes:	FT	9	361,780.4	424,186.7	(62,406.3)	(3)
	STFT	9	179,842.3	220,720.0	(40,877.7)	(3)
	IT	9	88,397.4	99,164.0	(10,766.6)	(3)
Total Volumes:			630,077.2	744,119.4	(114,042.2)	
Other Volumes:	FT	6				(4)
	FT	7				(4)

Note:

- 1) Forecast prepared based on contracts as at November 2007.
- 2) The forecast for Canadian volumes was included in the forecast for export volumes.
- 3) Throughput is dependent on customer contracting behaviours which are not easily predictable and therefore can show variances.
- 4) All capacity is contracted to Nova Gas Transmission Ltd.

FOOTHILLS PIPE LINES LTD.
PAYROLL STATISTICS
Salaries, Wages and Employee Benefits
(For Twelve Months Ended December 31, 2008)
(\$000)

Particulars	Period Actual	Decision	Variance (b) -(c)	Note
(a)	(b)	(c)	(d)	
Salaries & Wages				
Total Regular Salaries & Wages	6,764	7,496	(732)	(1)
Total Ancillary Including Overtime	793	420	373	(2)
Total Gross Salaries	7,557	7,915	(359)	
Charged to Construction & Other	(760)	(419)	(341)	(3)
Gross Salaries Charged to Cost of Service	6,797	7,497	(700)	
Employee Benefits				
Total Benefits	2,169	2,623	(454)	(4)
Charged to Construction & Other	(266)	(147)	(119)	
Benefits Charged to Cost of Service	1,903	2,477	(574)	

* Numbers may not add up to totals due to rounding.

Note:

1) Variance is due to reduced pipeline maintenance, repair & overhaul projects and utilization of overtime to complete required operational work.

2) Variance is due to utilization of overtime to compensate for a lower headcount.

3) Variance is due to higher charge-outs to capital projects than forecast.

4) Variance is due to lower regular salaries and wages, and higher charge-outs to capital projects.

FOOTHILLS PIPE LINES LTD.
PAYROLL STATISTICS
Average Allocated Employees
(For Twelve Months Ended December 31, 2008)

Particulars	Period Actual	Decision	Variance (b) -(c)	Note
(a)	(b)	(c)	(d)	
Total Regular Employees	73	79	(6)	(1)
Charged to Construction & Other	<u>(9)</u>	<u>(4)</u>	<u>(5)</u>	(2)
Employees Charged to Cost of Service	<u>64</u>	<u>75</u>	<u>(11)</u>	

Note:

- 1) Variance is due to lower field operation, maintenance, and repair & overhaul activity than forecast.
- 2) Variance is due to higher charge-outs to capital projects than forecast.

**FOOTHILLS PIPE LINES LTD.
DEFERRAL ACCOUNTS
(For Twelve Months Ended December 31, 2008)**

Particulars

Foothills Pipe Lines Ltd. is regulated on a cost of service basis and over or under-collections are adjusted in tolls annually.

**FOOTHILLS PIPE LINES LTD.
YEAR END REPORT - PERFORMANCE MEASURES**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	Note
A. Total Revenue Requirement per Throughput Km (\$/10 ⁶ m ³ -km)	9.6	9.0	10.0	11.0	11.7	
B. Operating Expenses per Throughput Km (\$/10 ⁶ m ³ -km)	5.0	4.8	5.6	7.2	7.2	
C. Operating Expenses per Average Gross Plant in Service (%)	5.6%	5.3%	6.2%	7.8%	7.0%	
D. Administrative and General Expenses per Employee (\$'000s) In this measure employees include salaried and contract personnel.	194.2	169.7	197.6	198.3	210.2	
E. Administrative and General Expenses per Throughput Km (\$/10 ⁶ m ³ -km)	0.5	0.5	0.5	0.8	0.8	
F. Net Plant per Throughput Km (\$/10 ⁶ m ³ -km)	44.5	42.7	40.5	40.3	43.1	
G. Throughput Km per Employee (10 ⁶ m ³ -km)	359,777	337,909	397,459	263,437	268,702	
H. Fuel and Power Costs per Throughput Km (\$/10 ⁶ m ³ -km)	0.51	0.51	0.49	0.53	0.63	
I. Average Salary per Employee (\$'000s) In this measure employees excludes contract personnel directly involved in the operation of Foothills.	82.0	85.2	88.5	92.7	97.4	(1)
J. Average Benefits per Employee (\$'000s) In this measure employees excludes contract personnel directly involved in the operation of Foothills.	30.9	32.1	33.1	33.2	34.1	(1)
K. Actual and Approved Rates of Return on Equity	9.56%	9.46%	8.88%	8.46%	8.71%	
L. Actual Rate of Return on Rate Base	7.62%	6.27%	6.01%	6.30%	6.39%	
Approved Rate of Return on Rate Base	7.62%	6.21%	6.01%	6.30%	6.39%	

Note:

1) Average salary and associated benefits for a TCPL employee.

FOOTHILLS PIPE LINES LTD.
INTERCORPORATE TRANSACTIONS
(For Twelve Months Ended December 31, 2008)

- Summary Receipts -

Contracting Party	Nature of Service	(\$000)	Ref. Sch.#
NOVA Gas Transmission Ltd.	Transportation Service	75,218	8.1
Grand Total		75,218	

FOOTHILLS PIPE LINES LTD.
INTERCORPORATE TRANSACTIONS
(For Twelve Months Ended December 31, 2008)
(\$000)

- Receipts -

Contracting Parties: NOVA Gas Transmission Ltd.

Nature Of Service: Gas Transportation

Description: Transportation services associated with the movement of gas on the Foothills system, billed in accordance with Foothills Pipe Lines tolls.

	Gas Transportation
Amount	75,218

FOOTHILLS PIPE LINES LTD.
INTERCORPORATE TRANSACTIONS
 (For Twelve Months Ended December 31, 2008)

- Summary Payments -

Contracting Party	Nature of Service	(\$000)	Ref. Sch.#
TransCanada Calibrations	System Maintenance	9	8.3
TransCanada Pipelines Limited	Interest Payments	26,776	8.3
TransCanada Turbines	Repair and Overhaul	1,474	8.3
Grand Total		28,259	

* Numbers may not add up to totals due to rounding.

FOOTHILLS PIPE LINES LTD.
INTERCORPORATE TRANSACTIONS
 (For Twelve Months Ended December 31, 2008)
 (\$000)

- Payments -

Contracting Parties: TransCanada Calibrations

Nature Of Service: System Maintenance

Description: System Maintenance

	System Maintenance
Amount	9

Contracting Parties: TransCanada Pipelines Limited

Nature Of Service: Interest Payments

Description: Interest payments on Long-term Debt

	Interest Payments
Amount	26,776

Contracting Parties: TransCanada Turbines

Nature Of Service: Repair and Overhaul

Description: Repair and Overhaul of Compressor Units

	Repair and Overhaul
Amount	1,474