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February 29, 2012

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

Filed Electronically

**Attention: Ms. Louise George, Acting Secretary of the Board**

Dear Ms. George:

**Re: Foothills Pipe Lines Ltd. (Foothills)  
Annual Surveillance Report  
For the Period Ended December 31, 2011**

Enclosed for filing with the Board is a copy of Foothills' Annual Surveillance Report for the period ended December 31, 2011.

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

Should the Board require additional information regarding this filing, please contact the undersigned at (403) 920-7172 or carolyn\_shaw@transcanada.com.

Yours truly,  
**Foothills Pipe Lines Ltd.**

*Original Signed by*

Carolyn Shaw  
Regulatory Project Manager  
Regulatory Services

Enclosure

cc: Foothills Firm and Interruptible Shippers

# Foothills Pipe Lines Ltd.

## Annual Surveillance Report

For the Year Ended December 31, 2011

The National Energy Board (NEB or Board) Annual Surveillance Report is a special purpose financial summary intended for the use of the NEB 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 used to determine tolls for the test year.

Pursuant to Guide BB of the Board's Filing Manual, Foothills submits its year-end report for 2011.

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**FOOTHILLS PIPE LINES (ALTA.) LTD. - ZONE 6**  
**INCOME SUMMARY**  
(For Twelve Months Ended December 31, 2011)  
(\$000)

Particulars (a)	NEB Accounts (b)	Period Actual (c)	Decision (d)	Variance (c) - (d) (e)	Note
<b>Revenue</b>					
Transportation Revenue	300	68,095	65,438	2,657	
Special Charge & Incentive Settlement		3,199	3,195	3	
Total Revenue		<u>71,293</u>	<u>68,633</u>	<u>2,660</u>	
<b>Operating Expenses</b>					
Salaries, Wages & Benefits	301	6,612	7,507	(895)	(1)
Fuel & Power	301	16,691	12,716	3,975	(2)
Other Operating & Maintenance	301	7,353	7,306	47	
Depreciation & Amortization	303-304	16,177	16,129	48	
Income Taxes	306	5,393	5,441	(48)	
Taxes Other than Income	305	3,314	3,449	(135)	
NEB & NPA Cost Recovery	301	2,202	2,489	(287)	(3)
Total Operating Expenses		<u>57,742</u>	<u>55,037</u>	<u>2,706</u>	
<b>Operating Income</b>		13,551	13,596	(45)	
Financial Charges		4,655	4,749	(94)	
Special Charge and Incentive Settlement		3,199	3,195	3	
<b>Equity Return</b>		<u>5,697</u>	<u>5,652</u>	<u>46</u>	
<b>Return on Rate Base</b>		7.05%	7.14%		
<b>Return on Common Equity</b>		9.70%	9.70%		
<b>Average Rate Base</b>		146,841	145,671		

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

**Note:**

- 1) Variance is primarily due to fewer allocated employees than forecast.
- 2) Variance is primarily due to higher demand and power spot prices than forecast.
- 3) NEB cost recovery was less than forecast primarily due to a levy relief issued by the NEB in 2011.

FOOTHILLS PIPE LINES (ALTA.) LTD. - ZONE 7  
**INCOME SUMMARY**  
 (For Twelve Months Ended December 31, 2011)  
 (\$000)

Particulars	NEB Accounts	Period Actual	Decision	Variance (c) - (d)	Note
(a)	(b)	(c)	(d)	(e)	
<b>Revenue</b>					
Transportation Revenue	300	8,486	8,684	(198)	
Special Charge & Incentive Settlement		402	403	(1)	
<b>Total Revenue</b>		<u>8,888</u>	<u>9,087</u>	<u>(199)</u>	
<b>Operating Expenses</b>					
Salaries, Wages & Benefits	301	843	957	(114)	
Other Operating & Maintenance	301	1,634	1,627	7	
Depreciation & Amortization	303-304	2,992	2,995	(3)	
Income Taxes	306	973	978	(5)	
Taxes Other than Income	305	842	885	(43)	
NEB & NPA Cost Recovery	301	281	317	(36)	
<b>Total Operating Expenses</b>		<u>7,565</u>	<u>7,758</u>	<u>(194)</u>	
<b>Operating Income</b>		1,323	1,329	(5)	
Financial Charges		426	429	(2)	
Special Charge & Incentive Settlement		402	403	(1)	
<b>Equity Return</b>		<u>495</u>	<u>498</u>	<u>(2)</u>	
<b>Return on Rate Base</b>		7.22%	7.23%		
<b>Return on Common Equity</b>		9.70%	9.70%		
<b>Average Rate Base</b>		12,768	12,792		

\* 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, 2011)  
(\$000)

Particulars	NEB Accounts	Period Actual	Decision	Variance (c) - (d)	Note
(a)	(b)	(c)	(d)	(e)	
<b>Revenue</b>					
Transportation Revenue	300	60,587	67,080	(6,493)	
Special Charge & Incentive Settlement		1,289	1,376	(87)	
<b>Total Revenue</b>		<u>61,876</u>	<u>68,455</u>	<u>(6,580)</u>	
<b>Operating Expenses</b>					
Salaries, Wages & Benefits	301	2,825	3,207	(382)	(1)
Fuel & Power	301	339	512	(173)	
Emissions Compliance Costs	301	2,853	3,743	(890)	(2)
Other Operating & Maintenance	301	5,730	9,661	(3,931)	(3)
Depreciation & Amortization	303-304	17,525	17,542	(17)	
Income Taxes	306	6,027	5,958	69	
Taxes Other than Income	305	7,190	7,428	(238)	(4)
Fuel Tax	305	1,549	2,081	(532)	(2)
NEB & NPA Cost Recovery	301	941	1,063	(122)	
<b>Total Operating Expenses</b>		<u>44,977</u>	<u>51,194</u>	<u>(6,217)</u>	
<b>Operating Income</b>		16,899	17,261	(362)	
Financial Charges		6,858	7,093	(235)	(5)
Special Charge & Incentive Settlement		1,289	1,376	(87)	
<b>Equity Return</b>		<u>8,753</u>	<u>8,793</u>	<u>(41)</u>	
<b>Return on Rate Base</b>		6.92%	7.01%		
<b>Return on Common Equity</b>		9.70%	9.70%		
<b>Average Rate Base</b>		225,580	226,600		

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

**Note:**

- 1) Variance is primarily due to lower pipeline integrity and other maintenance activities than forecast.
- 2) Variance is due to lower compressor fuel use than forecast.
- 3) Variance is primarily due to lower pipe integrity activity than forecast.
- 4) Variance is primarily due to lower property tax rates than forecast.
- 5) Variance is primarily due to lower interest expenses than forecast.

**FOOTHILLS PIPE LINES (SASK) LTD. - ZONE 9**  
**INCOME SUMMARY**  
(For Twelve Months Ended December 31, 2011)  
(\$000)

Particulars	NEB Accounts	Period Actual	Decision	Variance (c) - (d)	Note
(a)	(b)	(c)	(d)	(e)	
<b>Revenue</b>					
Transportation Revenue	300	49,696	50,527	(831)	
Special Charge & Incentive Settlement		490	436	54	
Total Revenue		<u>50,186</u>	<u>50,963</u>	<u>(777)</u>	
<b>Operating Expenses</b>					
Salaries, Wages & Benefits	301	882	1,001	(119)	
Fuel & Power	301	589	716	(127)	
Other Operating & Maintenance	301	3,142	3,091	51	
Depreciation & Amortization	303-304	18,241	18,300	(59)	
Income Taxes	306	7,500	7,816	(316)	(1)
Taxes Other than Income	305	3,054	3,103	(49)	
Fuel Tax	305	690	630	60	
NEB & NPA Cost Recovery	301	294	332	(38)	
Total Operating Expenses		<u>34,392</u>	<u>34,989</u>	<u>(597)</u>	
<b>Operating Income</b>		15,794	15,974	(180)	
Financial Charges		6,772	6,987	(215)	(2)
Special Charge & Incentive Settlement		490	436	54	
<b>Equity Return</b>		<u>8,531</u>	<u>8,551</u>	<u>(20)</u>	
<b>Return on Rate Base</b>		6.96%	7.05%		
<b>Return on Common Equity</b>		9.70%	9.70%		
<b>Average Rate Base</b>		219,877	220,405		

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

**Note:**

- 1) Variance is primarily due to higher tax deductions for capitalized repair and overhaul costs than forecast.
- 2) Variance is primarily due to lower interest expenses calculated than forecast.

**FOOTHILLS PIPE LINES LTD. - Zone 6**  
**AVERAGE RATE BASE**  
**(For Twelve Months Ended December 31, 2011)**  
**(\$000's)**

<b>Particulars</b>	<b>Period Actual</b>	<b>Decision</b>	<b>Variance (b) - (c)</b>	<b>Note</b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	
<b>Plant in Service</b>				
Net Plant	140,325	139,526	799	(1)
Contributions in Aid of Construction	(916)	(916)	-	
<b>Total Plant</b>	<b>139,409</b>	<b>138,610</b>	<b>799</b>	
<b>Working Capital</b>				
Linepack	2,577	2,577	-	
Prepayments and Deposits	102	102	-	
Cash	4,142	3,777	365	(2)
Inventory	610	604	6	
<b>Total Working Capital</b>	<b>7,432</b>	<b>7,060</b>	<b>371</b>	
<b>Total Average Rate Base</b>	<b>146,841</b>	<b>145,671</b>	<b>1,170</b>	

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

**Note:**

- 1) Variance is primarily due to higher opening Net Plant balances than forecast.
- 2) Variance is primarily due to higher power costs than forecast.

FOOTHILLS PIPE LINES LTD. - Zone 7  
**AVERAGE RATE BASE**  
 (For Twelve Months Ended December 31, 2011)  
 (\$000's)

Particulars	Period Actual	Decision	Variance (b) - (c)
(a)	(b)	(c)	(d)
<b>Plant in Service</b>			
Net Plant	11,364	11,376	(13)
Contributions in Aid of Construction	-	-	-
<b>Total Plant</b>	<b>11,364</b>	<b>11,376</b>	<b>(13)</b>
<b>Working Capital</b>			
Linepack	1,039	1,039	-
Prepayments and Deposits	-	-	-
Cash	365	377	(11)
Inventory	-	-	-
<b>Total Working Capital</b>	<b>1,404</b>	<b>1,416</b>	<b>(11)</b>
<b>Total Average Rate Base</b>	<b>12,768</b>	<b>12,792</b>	<b>(24)</b>

\* 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, 2011)**  
**(\$000's)**

<b>Particulars</b>	<b>Period Actual</b>	<b>Decision</b>	<b>Variance (b) - (c)</b>	<b>Note</b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	
<b>Plant in Service</b>				
Net Plant	221,706	222,067	(361)	(1)
Contributions in Aid of Construction	(1,598)	(1,598)	-	
<b>Total Plant</b>	<b>220,108</b>	<b>220,469</b>	<b>(361)</b>	
<b>Working Capital</b>				
Linepack	1,473	1,473	-	
Prepayments and Deposits	-	-	-	
Cash	1,911	2,561	(650)	(2)
Inventory	2,088	2,097	(9)	
<b>Total Working Capital</b>	<b>5,472</b>	<b>6,131</b>	<b>(659)</b>	
<b>Total Average Rate Base</b>	<b>225,580</b>	<b>226,600</b>	<b>(1,020)</b>	

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

**Note:**

- 1) Variance is primarily due to the lower opening Net Plant balances and timing of in-service additions.
- 2) Variance is primarily due to lower pipeline integrity activity and maintenance costs than forecast.

**FOOTHILLS PIPE LINES LTD. - Zone 9**  
**AVERAGE RATE BASE**  
**(For Twelve Months Ended December 31, 2011)**  
**(\$000's)**

<b>Particulars</b>	<b>Period</b>	<b>Decision</b>	<b>Variance</b>	<b>Note</b>
<b>(a)</b>	<b>Actual</b>	<b>(c)</b>	<b>(b) - (c)</b>	
	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	
<b>Plant in Service</b>				
Net Plant	216,302	216,075	227	(1)
Contributions in Aid of Construction	(234)	(234)	-	
<b>Total Plant</b>	<b>216,068</b>	<b>215,841</b>	<b>227</b>	
<b>Working Capital</b>				
Linepack	2,447	3,170	(723)	(2)
Prepayments and Deposits	-	-	-	
Cash	702	747	(45)	
Inventory	659	647	12	
<b>Total Working Capital</b>	<b>3,809</b>	<b>4,564</b>	<b>(755)</b>	
<b>Total Average Rate Base</b>	<b>219,877</b>	<b>220,405</b>	<b>(528)</b>	

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

**Note:**

- 1) Variance is primarily due to higher opening Net Plant balances than forecast.
- 2) Sale of linepack gas required for operational efficiencies was not included in forecast.

**FOOTHILLS PIPE LINES LTD.**  
**THROUGHPUT DETAIL**  
**(For Twelve Months Ended December 31, 2011)**  
**(TJ)**

Particulars (a)	Service	Zone	2011 Actual (b)	2011 Forecast <sup>(1)</sup> (c)	Variance (b-c) (d)	Note
Canadian Volumes:	FT	8	21,876	-	21,876	(2)
	STFT	8	-	-	-	
	IT	8	2,738	-	2,738	(2)
Export Volumes:	FT	8	625,614	763,238	(137,624)	(3)
	STFT	8	12,044	10,950	1,094	(3)
	IT	8	6,662	3,934	2,728	(3)
<b>Total Volumes:</b>			<b>668,934</b>	<b>778,123</b>	<b>(109,188)</b>	
Canadian Volumes:	SGS-1	9	55	46	9	
	IT	9	5,677			
Export Volumes:	FT	9	159,785	157,015	2,769	(3)
	STFT	9	422,355	375,020	47,334	(3)
	IT	9	119,581	118,812	769	(3)
<b>Total Volumes:</b>			<b>707,452</b>	<b>650,894</b>	<b>56,558</b>	
Other Volumes:	FT	6				(4)
	FT	7				(4)

**Note:**

- 1) Forecast prepared based on contracts as at November 1, 2010.
- 2) The forecast for Canadian volumes was included in the forecast for export volumes.
- 3) Throughput is dependent on customer contracting behaviours and market conditions and therefore can fluctuate.
- 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, 2011)**  
**(\$000)**

Particulars (a)	Period Actual (b)	Decision (c)	Variance (b) - (c) (d)	Note
<b><u>Salaries &amp; Wages</u></b>				
Total Regular Salaries & Wages	7,160	8,391	(1,231)	(1)
Incentive compensation, ancillary and other	3,494	3,906	(412)	(2)
Total Gross Salaries	10,654	12,297	(1,643)	
Charged to Construction & Other	(1,338)	(1,807)	469	(3)
Gross Salaries Charged to Cost of Service	9,316	10,490	(1,174)	
<b><u>Employee Benefits</u></b>				
Total Benefits	1,862	2,182	(320)	(4)
Pension/Benefit Adjustment	(17)	-	(17)	
Benefits Charged to Cost of Service	1,845	2,182	(337)	

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

**Note:**

- 1) Variance is primarily due to lower pipe integrity activities than forecast.
- 2) Variance is primarily due to fewer allocated employees and changes in estimates and valuations for incentive compensation programs.
- 3) Variance is due to lower charge-outs to capital and other projects than forecast.
- 4) Variance is primarily due to lower salaries associated with lower pipeline integrity activities than forecast.

**FOOTHILLS PIPE LINES LTD.**  
**PAYROLL STATISTICS**  
**Average Allocated Employees**  
**(For Twelve Months Ended December 31, 2011)**

<b>Particulars</b>	<b>Period Actual</b>	<b>Decision</b>	<b>Variance (b) -(c)</b>	<b>Note</b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	
Total Regular Employees	70	83	(13)	(1)
Charged to Construction & Other	<u>(7)</u>	<u>(10)</u>	<u>3</u>	(2)
Employees Charged to Cost of Service	<u>63</u>	<u>73</u>	<u>(10)</u>	

**Note:**

- 1) Variance is primarily due to lower pipeline integrity and other maintenance activities.
- 2) Variance is due to lower charge-outs to capital and other projects than forecast.

FOOTHILLS PIPE LINES LTD.  
DEFERRAL ACCOUNTS  
(For Twelve Months Ended December 31, 2011)

**Particulars**

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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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Note</u>
A. Total Revenue Requirement per Throughput Km ( $\$/10^6\text{m}^3\text{-km}$ )	11.0	11.7	12.7	11.4	11.3	
B. Operating Expenses per Throughput Km ( $\$/10^6\text{m}^3\text{-km}$ )	7.2	7.2	8.2	7.2	7.3	
C. Operating Expenses per Average Gross Plant in Service (%)	7.8%	7.0%	7.4%	7.2%	6.9%	
D. Administrative and General Expenses per Employee ( $\$000\text{s}$ )	198.3	210.2	193.9	201.2	219.2	
E. Administrative and General Expenses per Throughput Km ( $\$/10^6\text{m}^3\text{-km}$ )	0.8	0.8	0.8	0.7	0.8	
F. Net Plant per Throughput Km ( $\$/10^6\text{m}^3\text{-km}$ )	40.3	43.1	43.6	36.5	35.5	
G. Throughput Km per Employee ( $10^6\text{m}^3\text{-km}$ )	263,437	268,702	251,749	276,325	270,512	
H. Fuel and Power Costs per Throughput Km ( $\$/10^6\text{m}^3\text{-km}$ )	0.53	0.63	0.64	0.79	1.03	
I. Average Salary per Employee ( $\$000\text{s}$ ) In this measure employees excludes contract personnel directly involved in the operation of Foothills.	92.7	97.4	100.5	103.6	107.2	(1)
J. Average Benefits per Employee ( $\$000\text{s}$ ) In this measure employees excludes contract personnel directly involved in the operation of Foothills.	33.2	31.4	27.4	27.0	27.6	(1)
K. Actual and Approved Rates of Return on Equity	8.46%	8.71%	8.57%	9.70%	9.70%	
L. Actual Rate of Return on Rate Base	6.30%	6.39%	5.92%	6.78%	6.97%	
Approved Rate of Return on Rate Base	6.30%	6.39%	6.37%	6.83%	7.06%	

**Note:**

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

**FOOTHILLS PIPE LINES LTD.**  
**INTERCORPORATE TRANSACTIONS**  
(For Twelve Months Ended December 31, 2011)  
(includes total transactions greater than \$100,000)

**- Summary Receipts -**

Contracting Party	Nature of Service	(\$000)	Ref. Sch.#
NOVA Gas Transmission Ltd.	Transportation Service and Sales of Inventory	74,460	8.2
TransCanada PipeLines Limited Canadian Mainline	Sales of Inventory	293	8.2
<b>Grand Total</b>		<b>74,753</b>	



**FOOTHILLS PIPE LINES LTD.**  
**INTERCORPORATE TRANSACTIONS**  
 (For Twelve Months Ended December 31, 2011)  
 (includes total transactions greater than \$100,000)

- Summary Payments -

Contracting Party	Nature of Service	(\$000)	Ref. Sch.#
TransCanada Pipelines Limited	Interest Payments	18,434	8.3
TransCanada Turbines	Repair and Overhaul	1,608	8.3
Gas Transmission Northwest Corporation	Gas Nominations & Scheduling Service	239	8.3
TransCanada Pipelines Limited Canadian Mainline	Purchase of Inventory	178	8.3
<b>Grand Total</b>		<b>20,459</b>	

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

**FOOTHILLS PIPE LINES LTD.**  
**INTERCORPORATE TRANSACTIONS**  
 (For Twelve Months Ended December 31, 2011)  
 (\$000)

- Receipts -

Contracting Parties: NOVA Gas Transmission Ltd.

Nature Of Service: Gas Transportation and Sales of Inventory

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

	Gas Transportation	Sales of Inventory
Amount	74,390	70

Contracting Parties: TransCanada Pipelines Limited Canadian Mainline

Nature Of Service: Sales of Inventory

Description: Sales of Inventory

	Sales of Inventory
Amount	293

**FOOTHILLS PIPE LINES LTD.**  
**INTERCORPORATE TRANSACTIONS**  
 (For Twelve Months Ended December 31, 2011)  
 (\$000)

- Payments -

Contracting Parties: TransCanada PipeLines Limited

Nature Of Service: Interest Payments

Description: Interest payments on Long-term Debt

	Interest Payments
Amount	18,434

Contracting Parties: TransCanada Turbines

Nature Of Service: Repair and Overhaul

Description: Repair and Overhaul compressor Units

	Repair and Overhaul
Amount	1,608

Contracting Parties: Gas Transmission Northwest Corporation (GTNC)

Nature Of Service: Gas Nominations & Scheduling Service

Description: Agreement with GTNC to provide nomination and scheduling services to Zone 8 customers.

	Gas Nominations & Scheduling Service
Amount	239

Contracting Parties: TransCanada Pipelines Limited Canadian Mainline

Nature Of Service: Purchase of Inventory

Description: Purchase of Inventory

	Purchase of Inventory
Amount	178