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February 29, 2016

National Energy Board
517 Tenth Avenue SW
Calgary, Alberta T2R 0A8

Filed Electronically

Attention: Ms. Sheri Young, Secretary of the Board

Dear Ms. Young:

**Re: Foothills Pipe Lines Ltd. (Foothills)
Annual Surveillance Report
For the Period Ended December 31, 2015**

Enclosed for filing with the Board is a copy of Foothills' Annual Surveillance Report for the period ended December 31, 2015.

Foothills is notifying shippers of the availability of this filing in the Board's repository as well as on TransCanada's Foothills System website at the following address:

<http://www.transcanada.com/customerexpress/934.html>

Should the Board require additional information regarding this filing, please contact me by phone at (403) 920-4512 or by email at eman_tadayoni@transcanada.com.

Yours truly,
Foothills Pipe Lines Ltd.

Original signed by

Eman Tadayoni
Regulatory Project Manager, Tolls and Tariffs
Canadian Gas Pipelines

Attachment

cc: Foothills Firm and Interruptible Shippers

Foothills Pipe Lines Ltd.

Annual Surveillance Report

For the Year Ended December 31, 2015

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 2015.

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FOOTHILLS PIPE LINES (ALTA.) LTD. - ZONE 6
INCOME SUMMARY
For the Year Ended December 31, 2015
(\$000s)

Particulars	NEB Accounts	Period Actual	Decision	Variance (c) - (d)	Note
(a)	(b)	(c)	(d)	(e)	
Revenue					
Transportation Revenue	300	61,744	65,504	(3,760)	
Special Charge		1,329	1,429	(100)	
Total Revenue		63,073	66,933	(3,860)	
Operating Expenses					
Salaries, Wages & Benefits	301	4,550	6,522	(1,972)	(1)
Fuel & Power	301	9,794	11,982	(2,188)	(2)
Emissions Compliance Costs	301	279	600	(321)	(3)
Other Operating & Maintenance	301	13,948	13,376	572	(4)
Depreciation & Amortization	303-304	17,343	17,353	(10)	
Income Taxes	306	5,029	4,636	393	(5)
Taxes Other than Income	305	3,710	3,741	(31)	
NEB & NPA Cost Recovery	301	2,345	2,414	(69)	
Total Operating Expenses		56,998	60,624	(3,626)	
Operating Income		6,075	6,309	(234)	
Financial Charges		942	1,044	(102)	
Special Charge		1,329	1,429	(100)	
Equity Return		3,804	3,836	(32)	
Return on Rate Base		5.04%	5.14%		
Return on Common Equity		10.10%	10.10%		
Average Rate Base		94,179	94,939		

Note:

- 1) Variance is mainly due to lower payout factors on incentive compensation partially offset by severance payments.
- 2) Variance is primarily due to lower power prices than forecast.
- 3) Variance is due to lower throughput, lower carbon prices and change in government calculation of emissions payments.
- 4) Variance is primarily due to increase of dig program partially offset by decrease of cathodic protection monitoring program.
- 5) Variance is primarily due to lower tax deductions for capitalized repair and overhaul costs partially offset by higher CCA deductions than forecast.

FOOTHILLS PIPE LINES (ALTA.) LTD. - ZONE 7
INCOME SUMMARY
For the Year Ended December 31, 2015
(\$000s)

Particulars (a)	NEB Accounts (b)	Period Actual (c)	Decision (d)	Variance (c) - (d) (e)	Note
Revenue					
Transportation Revenue	300	6,082	7,169	(1,087)	
Special Charge		189	198	(9)	
Total Revenue		<u>6,271</u>	<u>7,367</u>	<u>(1,096)</u>	
Operating Expenses					
Salaries, Wages & Benefits	301	648	905	(257)	(1)
Fuel & Power	301	-	-	-	
Emissions Compliance Costs	301	-	-	-	
Other Operating & Maintenance	301	2,206	2,983	(777)	(2)
Depreciation & Amortization	303-304	1,562	1,591	(29)	
Income Taxes	306	283	319	(36)	
Taxes Other than Income	305	932	906	26	
NEB & NPA Cost Recovery	301	328	335	(7)	
Total Operating Expenses		<u>5,959</u>	<u>7,039</u>	<u>(1,080)</u>	
Operating Income		312	328	(16)	
Financial Charges		27	29	(2)	
Special Charge & Incentive Settlement		189	198	(9)	
Equity Return		<u>96</u>	<u>101</u>	<u>(5)</u>	
Return on Rate Base		5.18%	5.19%		
Return on Common Equity		10.10%	10.10%		
Average Rate Base		2,372	2,507		

Note:

- 1) Variance is mainly due to lower payout factors on incentive compensation partially offset by severance payments.
- 2) Variance is primarily due to decrease of cathodic protection monitoring program.

FOOTHILLS PIPE LINES (SOUTH B.C.) LTD. - ZONE 8
INCOME SUMMARY
For the Year Ended December 31, 2015
(\$000s)

Particulars	NEB	Period	Decision	Variance	Note
(a)	Accounts	Actual	(d)	(c) - (d)	
	(b)	(c)	(d)	(e)	
Revenue					
Transportation Revenue	300	63,620	63,204	416	
Special Charge		572	540	32	
Total Revenue		64,192	63,744	448	
Operating Expenses					
Salaries, Wages & Benefits	301	1,959	2,466	(507)	(1)
Fuel & Power	301	446	716	(270)	(2)
Emissions Compliance Costs	301	5,862	4,785	1,077	(3)
Other Operating & Maintenance	301	10,125	9,902	223	(4)
Depreciation & Amortization	303-304	19,865	20,250	(385)	(5)
Income Taxes	306	5,477	5,010	467	(6)
Taxes Other than Income	305	7,756	7,949	(193)	
Fuel Tax	305	2,392	1,993	399	(7)
NEB & NPA Cost Recovery	301	920	911	9	
Total Operating Expenses		54,802	53,982	820	
Operating Income		9,390	9,762	(372)	
Financial Charges		1,693	1,945	(252)	(8)
Special Charge & Incentive Settlement		572	540	32	
Equity Return		7,125	7,277	(152)	
Return on Rate Base		5.00%	5.12%		
Return on Common Equity		10.10%	10.10%		
Average Rate Base		176,359	180,114		

Note:

- 1) Variance is mainly due to lower payout factors on incentive compensation partially offset by severance payments.
- 2) Variance is due to lower power prices and usage than forecast.
- 3) Variance is due to higher throughput than forecast.
- 4) Variance is primarily due to higher dig program than forecast.
- 5) Variance is primarily due to lower capitalized overhaul expenditures than forecast.
- 6) Variance is primarily due to lower tax deductions for capitalized repair and overhaul costs than forecast.
- 7) Variance is due to higher compressor fuel use than forecast.
- 8) Variance is primarily due to lower financing rates than forecast.

FOOTHILLS PIPE LINES (SASK) LTD. - ZONE 9
INCOME SUMMARY
For the Year Ended December 31, 2015
(\$000s)

Particulars	NEB Accounts	Period Actual	Decision	Variance (c) - (d)	Note
(a)	(b)	(c)	(d)	(e)	
Revenue					
Transportation Revenue	300	45,227	48,735	(3,508)	
Special Charge		179	102	77	
Total Revenue		45,406	48,837	(3,431)	
Operating Expenses					
Salaries, Wages & Benefits	301	612	466	146	(1)
Fuel & Power	301	685	860	(175)	
Emissions Compliance Costs	301	-	-	-	
Other Operating & Maintenance	301	3,464	6,808	(3,344)	(2)
Depreciation & Amortization	303-304	19,825	19,873	(48)	
Income Taxes	306	7,080	6,842	238	(3)
Taxes Other than Income	305	4,648	4,584	64	
Fuel Tax	305	426	506	(80)	
NEB & NPA Cost Recovery	301	215	240	(25)	
Total Operating Expenses		36,955	40,179	(3,224)	
Operating Income		8,451	8,658	(207)	
Financial Charges		1,615	1,818	(203)	(4)
Special Charge & Incentive Settlement		179	102	77	
Equity Return		6,657	6,738	(81)	
Return on Rate Base		5.02%	5.13%		
Return on Common Equity		10.10%	10.10%		
Average Rate Base		164,784	166,781		

Note:

- 1) Variance is mainly due to lower payout factors on incentive compensation partially offset by severance payments.
- 2) Variance is primarily due to changes in project timing of inline inspections and cost reductions and efficiencies on the dig program.
- 3) Variance is primarily due to lower tax deductions for capitalized repair and overhaul costs than forecast.
- 4) Variance is primarily due to lower financing rates than forecast.

FOOTHILLS PIPE LINES LTD. - Zone 6
AVERAGE RATE BASE
For the Year Ended December 31, 2015
(\$000s)

Particulars	Period Actual	Decision	Variance (b) - (c)	Note
(a)	(b)	(c)	(d)	
Plant in Service				
Net Plant	86,822	87,035	(213)	(1)
Working Capital				
Linepack	2,577	2,577	-	
Prepayments and Deposits	99	99	-	
Cash	3,927	4,370	(443)	(2)
Inventory	754	858	(104)	
Total Working Capital	<u>7,357</u>	<u>7,904</u>	<u>(547)</u>	
Total Average Rate Base	<u>94,179</u>	<u>94,939</u>	<u>(760)</u>	

Note:

- 1) Variance is primarily due to lower capital additions than forecast.
- 2) Variance is primarily due to lower operating and maintenance costs than forecast.

FOOTHILLS PIPE LINES LTD. - Zone 7
AVERAGE RATE BASE
For the Year Ended December 31, 2015
(\$000s)

Particulars	Period Actual	Decision	Variance (b) - (c)
(a)	(b)	(c)	(d)
Plant in Service			
Net Plant	923	925	(2)
Working Capital			
Linepack	1,039	1,039	-
Cash	410	543	(133)
Total Working Capital	<u>1,449</u>	<u>1,582</u>	<u>(133)</u>
Total Average Rate Base	<u>2,372</u>	<u>2,507</u>	<u>(135)</u>

FOOTHILLS PIPE LINES LTD. - Zone 8
AVERAGE RATE BASE
For the Year Ended December 31, 2015
(\$000s)

Particulars	Period	Decision	Variance	Note
(a)	Actual	(c)	(b) - (c)	
	(b)	(c)	(d)	
Plant in Service				
Net Plant	169,886	173,822	(3,936)	(1)
Working Capital				
Linepack	1,473	1,473	-	
Cash	2,892	2,741	151	
Inventory	2,108	2,078	30	
Total Working Capital	<u>6,473</u>	<u>6,292</u>	<u>181</u>	
Total Average Rate Base	<u>176,359</u>	<u>180,114</u>	<u>(3,755)</u>	

Note:

1) Variance is primarily due to lower opening Net Plant balances and capital additions than forecast.

FOOTHILLS PIPE LINES LTD. - Zone 9
AVERAGE RATE BASE
For the Year Ended December 31, 2015
(\$000s)

Particulars	Period Actual	Decision	Variance (b) - (c)	Note
(a)	(b)	(c)	(d)	
Plant in Service				
Net Plant	161,065	162,660	(1,595)	(1)
Working Capital				
Linepack	2,316	2,316	-	
Cash	755	1,136	(381)	(2)
Inventory	648	669	(21)	
Total Working Capital	<u>3,719</u>	<u>4,121</u>	<u>(402)</u>	
Total Average Rate Base	<u>164,784</u>	<u>166,781</u>	<u>(1,997)</u>	

Note:

- 1) Variance is primarily due to lower capital additions than forecast.
- 2) Variance is primarily due to lower operating and maintenance costs than forecast.

FOOTHILLS PIPE LINES LTD.
THROUGHPUT DETAIL
For the Year Ended December 31, 2015
(TJ)

Particulars (a)	Service	Zone	2015 Actual (b)	2015 Decision ⁽¹⁾ (c)	Variance (b-c) (d)	Note
Canadian Volumes:	FT	8	23,083	-	23,083	(2)
	STFT	8	-	-	-	
	IT	8	1,853	-	1,853	(2)
Export Volumes:	FT	8	685,794	659,934	25,860	(3)
	STFT	8	15,358	27,861	(12,503)	(3)
	IT	8	29,330	9,287	20,043	(3)
Total Volumes:			755,418	697,082	58,336	
Canadian Volumes:	FT	9	37,096	34,050	3,046	
	SGS-1	9	54	58	(4)	
	STFT	9	20,367	-	20,367	(2)
	IT	9	4,710	4,819	(109)	
Export Volumes:	FT	9	139,486	59,305	80,181	(3)
	STFT	9	359,783	413,510	(53,727)	(3)
	IT	9	53,855	72,972	(19,117)	(3)
Total Volumes:			615,351	584,714	30,637	
Other Volumes:	FT	6				(4)
	FT	7				(4)

Note:

- 1) Forecast prepared based on contracts as at September 1, 2014.
- 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 the Year Ended December 31, 2015
(\$000s)

Particulars	Period Actual	Decision	Variance (b) - (c)	Note
(a)	(b)	(c)	(d)	
<u>Salaries & Wages</u>				
Total Regular Salaries & Wages	8,144	8,856	(712)	(1)
Incentive compensation	1,945	3,405	(1,460)	(2)
Ancillary and other	910	711	199	
Total Gross Salaries	<u>10,999</u>	<u>12,972</u>	<u>(1,973)</u>	
Charged to Construction & Other	<u>(5,430)</u>	<u>(4,827)</u>	<u>(603)</u>	(3)
Gross Salaries Charged to Cost of Service	<u>5,569</u>	<u>8,145</u>	<u>(2,576)</u>	
<u>Employee Benefits</u>				
Total Benefits	2,036	2,214	(178)	
Pension/Benefit Adjustment	<u>164</u>	<u>-</u>	<u>164</u>	
Benefits Charged to Cost of Service	<u>2,200</u>	<u>2,214</u>	<u>(14)</u>	

Note:

(1) Mainly due to lower number of employees than forecast.

(2) Mainly due to lower actual stock price than forecast for the long-term incentive compensation.

(3) Higher charge out due to increased capitalized labour in pipeline integrity projects than forecast.

FOOTHILLS PIPE LINES LTD.
PAYROLL STATISTICS
Average Allocated Employees
For the Year Ended December 31, 2015

Particulars	Period	Decision	Variance	Note
(a)	Actual	(c)	(b) - (c)	
	(b)	(c)	(d)	
Total Regular Employees	73	80	(7)	
Charged to Construction & Other	<u>(27)</u>	<u>(25)</u>	<u>(2)</u>	
Employees Charged to Cost of Service	<u><u>46</u></u>	<u><u>55</u></u>	<u><u>(9)</u></u>	

**FOOTHILLS PIPE LINES LTD.
DEFERRAL ACCOUNTS
For the Year Ended December 31, 2015**

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

Schedule 7

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Note</u>
A. Total Revenue Requirement per Throughput Km (\$/10 ⁶ m ³ -km)	11.3	10.9	10.8	11.2	10.7	
B. Operating Expenses per Throughput Km (\$/10 ⁶ m ³ -km)	7.3	7.3	7.7	8.6	8.2	
C. Operating Expenses per Average Gross Plant in Service (%)	6.9%	7.3%	7.5%	7.6%	7.4%	
D. Administrative and General Expenses per Employee (\$000s)	219.2	253.4	264.8	380.0	366.7	
E. Administrative and General Expenses per Throughput Km (\$/10 ⁶ m ³ -km)	0.8	0.9	0.9	1.1	1.0	
F. Net Plant per Throughput Km (\$/10 ⁶ m ³ -km)	35.5	31.3	29.0	29.7	26.1	
G. Throughput Km per Employee (10 ⁶ m ³ -km)	270,512	292,654	303,021	351,706	364,057	
H. Fuel and Power Costs per Throughput Km (\$/10 ⁶ m ³ -km)	1.03	1.00	1.07	0.77	0.65	
I. Average Salary per Employee (\$000s) In this measure employees excludes contract personnel directly involved in the operation of Foothills.	107.2	109.4	112.6	113.0	115.2	(1)
J. Average Benefits per Employee (\$000s) In this measure employees excludes contract personnel directly involved in the operation of Foothills.	27.6	30.1	30.9	33.1	33.6	(1)
K. Actual and Approved Rates of Return on Equity	9.70%	9.70%	10.10%	10.10%	10.10%	
L. Actual Rate of Return on Rate Base	6.97%	7.37%	6.85%	4.96%	5.02%	
Approved Rate of Return on Rate Base	7.06%	7.22%	6.99%	5.87%	5.16%	

Note:

(1) Average salary and associated benefits for a TransCanada employee.

FOOTHILLS PIPE LINES LTD.
INTERCORPORATE TRANSACTIONS
For the Year Ended December 31, 2015
(includes total transactions greater than \$100,000)

- Summary Receipts -

Contracting Party	Nature of Service	(\$000s)	Ref. Sch.#
NOVA Gas Transmission Ltd.	Transportation Service and Sale of Inventory	76,366	8.2
Grand Total		76,366	

FOOTHILLS PIPE LINES LTD.
INTERCORPORATE TRANSACTIONS
For the Year Ended December 31, 2015
(includes total transactions greater than \$100,000)

- Summary Payments -

Contracting Party	Nature of Service	(\$000s)	Ref. Sch.#
TransCanada PipeLines Limited	Interest Payments	3,837	8.3
TransCanada Turbines	Repair and Overhaul	3,232	8.3
Gas Transmission Northwest Corporation	Gas Nominations & Scheduling Service	162	8.3
NOVA Gas Transmission Ltd.	Purchase of Inventory	784	8.3
Grand Total		8,015	

FOOTHILLS PIPE LINES LTD.
INTERCORPORATE TRANSACTIONS
For the Year Ended December 31, 2015
(\$000s)

- Receipts -

Contracting Parties: NOVA Gas Transmission Ltd.

Nature Of Service: Gas Transportation and Sale of Inventory

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

	Gas Transportation	Sale of Inventory	Total
Amount	76,308	58	76,366

FOOTHILLS PIPE LINES LTD.
INTERCORPORATE TRANSACTIONS
For the Year Ended December 31, 2015
(\$000s)

- Payments -

Contracting Parties: TransCanada PipeLines Limited

Nature Of Service: Interest Payments

Description: Interest payments on Long-term Debt

	Interest Payments
Amount	3,837

Contracting Parties: TransCanada Turbines

Nature Of Service: Repair and Overhaul

Description: Repair and Overhaul of Compressor Units

	Repair and Overhaul
Amount	3,232

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	162

Contracting Parties: NOVA Gas Transmission Ltd.

Nature Of Service: Purchase of Inventory

Description: Purchase of Inventory

	Purchase of Inventory
Amount	784