



450 – 1 Street SW
Calgary, Alberta T2P 5H1

Tel: (403) 920-2603
Fax: (403) 920-2347
Email: bernard_pelletier@transcanada.com

April 30, 2018

Filed Electronically

National Energy Board
Suite 210, 517 Tenth Avenue SW
Calgary, Alberta T2R 0A8

**Attention: Ms. Sheri Young
Secretary of the Board**

Dear Ms. Young:

**Re: Foothills Pipe Lines Ltd. (Foothills)
2017 Abandonment Funding Reporting Form and
Trust Fund Annual Audited Financial Statements**

Pursuant to the Board's MH-001-2013 Reasons for Decision and subsequent directions regarding filing deadlines,¹ Foothills hereby files for the Foothills Pipeline Abandonment Trust Agreement the Abandonment Cost Funding Reporting Form² and Trust Fund Annual Audited Financial Statements for the twelve month period ended December 31, 2017.

Foothills will notify its shippers of this filing and post copies of the attached material on its website at <https://www.transcanada.com/neb-end-of-life-cycle-program>.

If the Board requires additional information regarding this filing, please contact Eman Tadayoni by phone at (403) 920-4512 or by email at eman_tadayoni@transcanada.com.

Yours truly,
Foothills Pipe Lines Ltd.

Original signed by

Bernard Pelletier
Director, Regulatory Tolls and Tariffs
Canadian Natural Gas Pipelines

Attachments

cc: Foothills Shippers

¹ Board letters of November 27, 2015 [NEB Filing ID: A74320], January 21, 2016 [NEB Filing ID: A75255] and January 11, 2017 [NEB Filing ID: A81245].

² Based on the MH-001-2013 Decision Appendix XV (as amended March 2018) through Board letter of April 9, 2018 [NEB Filing ID: A91118].

Reporting Form - Companies using Trusts for Set-aside mechanism

For the Year Ended December 31, 2017

Table I.1 Update on Abandonment Funding for Pipeline Trust			
Regulatory Instrument Holder (entity which holds certificate/order)	Foothills Pipe Lines Ltd. through three subsidiary companies: Foothills Pipe Lines (Alta.) Ltd., Foothills Pipe Lines (Sask.) Ltd., and Foothills Pipe Lines (South B.C.) Ltd.		
Filed by (company name) if different from regulatory instrument holder	Foothills Pipe Lines Ltd.		
Pipeline System Name (for each, fill-in separate form)	Foothills System		
For Group 2 companies, associated order numbers or certificates			
Update on Abandonment Funds			
Year open date	1-Jan-17	Planned	Actual
Year open balance	millions	17.9	18.1
Directed by Board to set aside	millions	8.8	Not Applicable
Collected from Shippers	millions	8.8	8.8
Contributed by Pipeline Owners	millions	8.8	8.8
Other	millions	(0.1)	-
Earnings within Trust	millions	0.7	0.6
Taxes paid on earnings within Trust	millions	(0.2)	(0.2)
Disbursements (and Board orders authorizing the disbursements)	millions	-	(1.6)
Year close balance	millions	27.1	25.7
Year close date	31-Dec-17		
Any Other relevant information	Not Applicable		
Compliance Confirmation			
Is the Investment Policy (or Statement of Investment Policy and Practices) filed with the Board still current and in use?	Yes	If no, file new one	
Did all investment decisions and actions in the year comply with this Investment Policy?	Yes	If no, provide details in an attached document	
Are there any changes in cost estimates or other components that could prompt material changes in funding plan?	No such changes	If yes, provide details in an attached document	
Is the pipeline still in operation?	Yes	If no, provide details in an attached document	
E - Contact(s) for Financial Regulatory Matters			
Name(s)	Bernard Pelletier		
Email(s)	bernard_pelletier@transcanada.com		
Telephone(s)	(403) 920-2603		
F - Confirmation of Form Content by Officer of the Company Holding Regulatory Instrument			
Name of Officer of the Company	Sean Brett, Vice President, Risk Management		
Date	April 30, 2018		

**Trust Fund for Abandonment of the Pipeline Assets of
Foothills Pipe Lines Ltd.**

Trust Fund Financial Statements

December 31, 2017 and 2016



KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB T2P 4B9
Tel (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Trustees of the Trust Fund for Abandonment of the Pipeline Assets of Foothills Pipe Lines Ltd.

We have audited the accompanying financial statements of the Trust Fund for Abandonment of the Pipeline Assets of Foothills Pipe Lines Ltd., which comprise the Statement of Net Assets as at December 31, 2017 and the Statement of Operations and Changes in Net Assets for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trust Fund for Abandonment of the Pipeline Assets of Foothills Pipe Lines Ltd. as at December 31, 2017, and its financial performance for the year then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Chartered Professional Accountants

April 23, 2018
Calgary, Canada

**TRUST FUND FOR ABANDONMENT OF THE PIPELINE ASSETS OF FOOTHILLS
PIPE LINES LTD.**

STATEMENT OF NET ASSETS

At December 31 <i>(thousands of dollars)</i>	2017	2016
Assets		
Cash & cash equivalents	817	1,109
Contributions receivable (Note 3)	770	806
Interest receivable	66	51
Investments		
Canadian government bonds (Note 5)	25,017	17,380
	26,670	19,346
Liabilities		
Accounts payable (Note 6)	993	1,223
	993	1,223
Net Assets	25,677	18,123

The accompanying notes are an integral part of these financial statements.

**TRUST FUND FOR ABANDONMENT OF THE PIPELINE ASSETS OF FOOTHILLS
PIPE LINES LTD.**

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year ended December 31 <i>(thousands of dollars)</i>	2017	2016
Income		
Interest income	696	412
Change in fair value of investments		
Realized (loss)/gain on sale of investments	(155)	32
Unrealized gain/(loss) on investments	19	(961)
	560	(517)
Expenses		
Administrative expense	(28)	(30)
Net Income/(Loss) before tax	532	(547)
Income tax expense (Note 7)	(180)	(108)
Net Income/(Loss)	352	(655)
Contributions (Note 3)	8,846	9,415
Distributions (Note 3)	(1,644)	—
Change in Net Assets during the year	7,554	8,760
Net Assets, Beginning of Year	18,123	9,363
Net Assets, End of Year	25,677	18,123

The accompanying notes are an integral part of these financial statements.

TRUST FUND FOR ABANDONMENT OF THE PIPELINE ASSETS OF FOOTHILLS PIPE LINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

1. DESCRIPTION OF TRUST FUND

Commencing January 1, 2015, Foothills Pipe Lines Ltd. (Foothills or the Company) is required by the National Energy Board (NEB) to collect funds to cover estimated future pipeline abandonment costs. The requirement to collect funds is in accordance with directions from the NEB's MH-001-2013 Decision that approved set-aside and collection mechanisms for abandonment cost funding for NEB regulated pipeline companies. The NEB approves amounts to be collected by the Company from its shippers in respect of estimated future pipeline abandonment costs. Amounts collected by the Company are used to fund the trust (Trust Fund) that holds and invests these funds. The funds are available for the abandonment of the pipeline assets of the Company's subsidiaries: Foothills Pipe Lines (Alta.) Ltd. (FH AB), Foothills Pipe Lines (South B.C.) Ltd. (FH BC), and Foothills Pipe Lines (Sask.) Ltd (FH SK).

The Company is the beneficiary of the Trust Fund, however, the Company may only access the funds held by the Trust Fund with approval of the NEB.

The Canadian Imperial Bank of Commerce is the trustee and administrator of the Trust Fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements present the information of the Trust Fund as a separate reporting entity independent of the Company. They are prepared for regulatory purposes only, in accordance with United States generally accepted accounting principles (GAAP). The Trust Fund is considered an investment company under GAAP and follows the accounting and reporting guidance applicable to investment companies. The Trust Fund financial statements do not portray the funding requirements of abandoning the pipeline.

Use of Estimates

In preparing these financial statements, Foothills is required to make estimates and assumptions that affect both the amount and timing of recording assets, liabilities, revenues and expenses since the determination of these items may be dependent on future events. The Company uses the most current information available and exercises careful judgment in making these estimates and assumptions. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Trust Fund's Cash and cash equivalents consist of cash and highly liquid short-term investments with original maturities of three months or less and are recorded at cost, which approximates fair value.

Financial Instruments

All of the Trust Fund's investments, receivables and payables are non-derivative financial instruments. Cash and cash equivalents, Contributions receivable, Interest receivable and Accounts payable have carrying amounts that approximate their fair value due to the nature of the item or the short time to maturity. The Trust Fund's investments are classified as available for sale and are recorded at fair value on the Statement of Net Assets. Fair value disclosures relating to these investments are included in Note 9 of these financial statements. Purchases and sales of investments are recorded as of the trade date. Transactions that have not been settled are reflected in the Statement of Net Assets as receivables or payables. Changes in fair value are recognized in the Statement of Operations and Changes in Net Assets.

Interest Income

Interest income on investments is recorded when earned.

Net Realized Gains and Losses on Sale of Investments

Net realized gains and losses on the sale of investments are the differences between the net proceeds received and the cost of investments sold.

Net Unrealized Gains and Losses on Investments

Net unrealized gains and losses arise from changes in the fair value of investments.

Administrative expense

Administrative expense includes administration fees and audit costs incurred by the Company and paid or payable by the Trust Fund.

Income Taxes

The Trust Fund is a Qualifying Environment Trust as defined in the Income Tax Act and is subject to income taxes on earnings from the Trust pursuant to Part XII.4 of the Income Tax Act. The Trust Fund uses the asset and liability method of accounting for income taxes. This method requires the recognition of deferred income tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates at the statement of net assets date that are anticipated to apply to taxable income in the years in which temporary differences are expected to be reversed or settled.

3. CONTRIBUTIONS AND DISTRIBUTIONS

The Company contributes amounts to the Trust Fund which are collected from shippers through abandonment surcharges as approved by the NEB. At December 31, 2017, the Trust Fund accrued approximately \$770 thousand of Contributions receivable from the Company (2016 - \$806 thousand). This represents amounts to be billed for December 2017 (2016) shipping services that will be collected from the shippers and subsequently contributed to the Trust Fund.

Distributions from the Trust Fund are subject to NEB approval and are restricted for use towards abandonment activities. For the twelve months ended December 31, 2017, \$1,644 thousand (2016 - nil) were distributed from the Trust Fund.

4. CAPITAL DISCLOSURES

The Trust Fund defines capital as all investments including cash. The Trust Fund's objective is to accumulate assets in a consistent and rational manner over the useful life of the pipeline so that funds are available to meet the pipeline's future pipeline abandonment obligations.

The trustee is responsible for ensuring that the assets of the Trust Fund are managed in accordance with the Statement of Investment Policies and Procedures (SIPP) and the objectives and goals outlined within.

5. INVESTMENTS

The following table summarizes the investments held by the Trust Fund:

At December 31 (thousands of dollars)		2017		2016	
		Cost	Fair Value	Cost	Fair Value
Cash & cash equivalents		817	817	1,109	1,109
Canadian government bonds					
Maturity	Coupon Rate				
2026	1.90%	—	—	360	350
2027	2.35%	1,194	1,196	—	—
2027	8.00%	—	—	668	633
2028	2.00%	500	496	—	—
2028	2.35%	668	666	—	—
2029	3.63%	230	219	230	219
2029	5.75%	2,066	1,916	2,666	2,533
2033	5.75%	3,757	3,603	2,862	2,731
2037	3.83%	342	343	231	223
2037	5.00%	3,910	3,733	2,665	2,538
2041	4.00%	4,483	4,328	3,036	2,888
2045	3.50%	3,458	3,326	3,204	3,021
2045	3.86%	348	352	120	113
2048	2.75%	2,797	2,658	1,758	1,626
2048	3.86%	88	84	88	80
2051	2.00%	424	421	—	—
2053	3.85%	750	757	—	—
2064	2.75%	945	919	454	425
		25,960	25,017	18,342	17,380
		26,777	25,834	19,451	18,489

6. ACCOUNTS PAYABLE

The following table summarizes the Trust Fund's accounts payable:

At December 31 (thousands of dollars)	2017	2016
Securities purchased	795	1,097
Income tax expense payable	180	108
Administrative expense payable	18	18
	993	1,223

7. INCOME TAXES

The following table presents a reconciliation of income tax expense:

Year ended December 31 <i>(thousands of dollars)</i>	2017	2016
Income/(Loss) before income taxes	532	(547)
Federal and provincial statutory income tax rate	27%	27%
Expected income tax expense/(recovery)	144	(148)
Non-taxable loss on investments	39	126
(Decrease)/Increase in valuation allowance	(3)	130
Income Tax Expense	180	108

The following table presents the deferred income tax assets and liabilities:

Year ended December 31 <i>(thousands of dollars)</i>	2017	2016
Deferred income tax asset/(liability)		
Unrealized loss on investments	127	130
Valuation allowance	(127)	(130)
Net Deferred Tax Asset/(Liability)	—	—

Income tax payments of \$107 thousand were made in 2017 (2016 -\$24 thousand).

The Trust is resident in Alberta and pays tax at a rate of 27 per cent (15 per cent Federal, 12 per cent Alberta) on its income earned.

The Trust is not able to carry forward net capital losses as these losses are allocated to the beneficiary in the year sustained. As a result, the Trust cannot recognize a deferred income tax asset related to net capital losses.

8. SUBSIDIARY INFORMATION

Year ended December 31, 2017 <i>(thousands of dollars)</i>	FH AB	FH BC	FH SK	TOTAL
Income				
Interest income	306	217	173	696
Change in fair value of investments				
Realized loss on sale of investments	(68)	(49)	(38)	(155)
Unrealized gain on investments	2	15	2	19
	240	183	137	560
Expenses				
Administrative expense	(12)	(9)	(7)	(28)
Income tax expense	(79)	(57)	(44)	(180)
Net Income	149	117	86	352
Contributions	4,010	2,779	2,057	8,846
Distributions	—	(1,644)	—	(1,644)
Change in Net Assets during the Year	4,159	1,252	2,143	7,554
Net Assets, Beginning of Year	7,903	5,723	4,497	18,123
Net Assets, End of Year	12,062	6,975	6,640	25,677

Year ended December 31, 2016 <i>(thousands of dollars)</i>	FH AB	FH BC	FH SK	TOTAL
Income				
Interest income	180	129	103	412
Change in fair value of investments				
Realized gain on sale of investments	14	10	8	32
Unrealized loss on investments	(414)	(304)	(243)	(961)
	(220)	(165)	(132)	(517)
Expenses				
Administrative expense	(13)	(9)	(8)	(30)
Income tax expense	(46)	(35)	(27)	(108)
Net Loss	(279)	(209)	(167)	(655)
Contributions	4,066	3,026	2,323	9,415
Change in Net Assets during the Year	3,787	2,817	2,156	8,760
Net Assets, Beginning of Year	4,116	2,906	2,341	9,363
Net Assets, End of Year	7,903	5,723	4,497	18,123

9. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Trust Fund's investments are governed by the SIPP which outline investment guidelines and monitoring procedures appropriate to the objectives of the Trust Fund. Trust Fund assets consist of fixed income securities comprised of long-term Canadian government bonds.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The fixed income securities in the Trust Fund are directly exposed to interest rate risk.

The following table summarizes the fair value of investments by maturity dates, as well as average effective yield by class of investment:

At December 31 <i>(thousands of dollars)</i>	2017		2016	
	Fair Value	Average Effective Yield	Fair Value	Average Effective Yield
Canadian government bonds (maturing 5 to 10 years)	1,196	2.35%	350	2.22%
Canadian government bonds (maturing after 10 years)	23,821	2.17%	17,030	2.27%
	25,017		17,380	

Counterparty Credit Risk

Counterparty credit risk represents the financial loss the Company would experience if a counterparty to a financial instrument failed to meet its obligations in accordance with the terms and conditions of the related contract or agreement with the Trust Fund. The Trust Fund is exposed to counterparty credit risk through its investments in bonds and money market instruments. This risk is managed through the SIPP that limits the Trust Fund's investments exclusively to debt instruments which have an investment grade rating with a prescribed rating agency at the time of purchase. The Trust Fund's investments in long-term Canadian government bonds minimize its exposure to counterparty credit risk.

Fair Value of Financial Instruments

When fair value measurements are required for the Trust Fund's financial assets and liabilities, they are classified into one of three categories based on the fair value hierarchy below.

In Level I, the fair value of assets and liabilities is determined by reference to quoted prices in active markets for identical assets and liabilities that the Trust Fund has the ability to access at the measurement date.

In Level II, determination of the fair value of assets and liabilities is based on the extrapolation of inputs, other than quoted prices included within Level I, for which all significant inputs are observable directly or indirectly. Such inputs include published exchange rates, interest rates, interest rate swap curves, yield curves, and broker quotes from external data service providers. Transfers between Level I and Level II would occur when there is a change in market circumstances.

In Level III, the fair value of assets and liabilities is determined using a market approach based on inputs that are unobservable or where observable data does not support a significant portion of the overall fair value measurement. Assets and liabilities measured at fair value can fluctuate between Level II and Level III depending on the proportion of the value of the contract that extends beyond the time frame for which inputs are considered to be observable. As contracts near maturity and observable market data become available, the contracts are transferred out of Level III and into Level II.

The Trust Fund's investments are recorded at fair value which is based on the extrapolation of inputs including interest rates and yield curves, and are classified in Level II of the fair value hierarchy. Credit risk has been taken into consideration when calculating the fair value of these assets.

There were no transfers from Level II to Level I for the year ended December 31, 2017. Furthermore, the Trust Fund has no Level I or Level III financial instruments.

10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 23, 2018, the date that these financial statements were authorized to be issued.