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April 26, 2019

Filed Electronically

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

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

Dear Ms. Young:

**Re: Foothills Pipe Lines Ltd. (Foothills)  
Abandonment Surcharges Effective July 1, 2019**

Foothills encloses for filing pursuant to section 60(1)(a) of the *National Energy Board Act* abandonment surcharges on Foothills Zones 6, 7, 8 and 9 to be effective July 1, 2019 (Revised Abandonment Surcharges).

Foothills currently operates under Abandonment Surcharges effective January 1, 2019 that were filed with the Board on October 30, 2018 (Current Abandonment Surcharges).<sup>1</sup> As a result, Current Abandonment Surcharges will be in effect until June 30, 2019 as part of this submission.

As previously described in the filing for the Current Abandonment Surcharges, Foothills was in discussions with its shippers and the Canada Revenue Agency (CRA) regarding a possible change in investment approach to the Foothills Abandonment Trust (Trust) Statement of Investment Policies and Procedures (SIPP). These discussions have concluded and resulted in Foothills amending its SIPP (Revised SIPP), as filed with the Board on April 26, 2019.<sup>2</sup> The Revised SIPP will be effective upon 60 days of that filing.

The Revised SIPP will allow for a more diversified investment portfolio for the Trust such that 40% of the assets will be invested in equities.

In implementing the Revised SIPP, shippers are expected to benefit from lower abandonment surcharges with less volatility than would otherwise be applicable under the current 100% Fixed Income asset allocation. In turn, the higher expected returns will allow Foothills to reduce the level of the Foothills System abandonment surcharges required to be collected from shippers while continuing to set aside the funds required for the eventual abandonment of the Foothills System.

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<sup>1</sup> NEB Filing ID: A95244-1.

<sup>2</sup> NEB Filing ID: A99072.

Under the Current SIPP,<sup>3</sup> funds invested in the Trust are expected to yield an annual pre-tax return of 3.1%. Under the Revised SIPP, the expected annual pre-tax return will increase to 5.4%. The effect of the change in expected return while maintaining all other abandonment assumptions, including an Abandonment Cost Estimate of \$244.72 million,<sup>4</sup> is a reduction to the Annual Contribution Amount (ACA) from \$10.84 million (Current ACA) to \$7.83 million (Revised ACA).

The Revised ACA was used to calculate the Revised Abandonment Surcharges along with all other previously used parameters to derive the Current Abandonment Surcharges. The derivation of the Revised ACA is detailed in the Annual Contribution Amount Calculation Form based on Appendix XIV of the MH-001-2013 Decision provided as Appendix 1.

The supporting calculations are provided in Appendix 2 and the proposed Revised Abandonment Surcharges are provided in Appendix 3, in both blackline and clean. The Revised Abandonment Surcharges are approximately 28% lower than the Current Abandonment Surcharges.

Foothills discussed the change in investment approach and the Revised Abandonment Surcharges with its shippers on April 8, 2019 and is not aware of any concerns. Foothills understands that any party that is opposed to the Revised Abandonment Surcharges will advise the Board accordingly.

The Revised Abandonment Surcharges will be in effect on July 1, 2019, which is the first day of the month following implementation of the Revised SIPP.

Foothills will notify its shippers and interested parties of this filing and post a copy of it on TransCanada's Foothills System website at:

<http://www.tccustomerexpress.com/934.html>

Foothills will also post on its website the revised Table of Effective Rates showing the Revised Abandonment Surcharges.

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](mailto:eman_tadayoni@transcanada.com).

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

*Original signed by Eman Tadayoni for*

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

cc: Foothills Firm Shippers  
Interruptible Shippers and Interested Parties

Attachments

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<sup>3</sup> The Current SIPP in use was filed with the Board on November 25, 2014 (NEB Filing ID: A64576).

<sup>4</sup> NEB Letter Decision on Group 1 ACE Review 2016 Filings dated April 18, 2018 (NEB Filing ID: A91357).

**Appendix 1**

Revised Abandonment Surcharges  
Effective July 1, 2019

Annual Contribution Amount Calculation Form

**Foothills Pipe Lines Ltd.**  
Abandonment Surcharges  
Effective July 1, 2019

ANNUAL CONTRIBUTION AMOUNT CALCULATION FORM		Foothills Pipe Lines Ltd.	
Computation of Annual Contribution Amount		Abandonment Surcharge Application – Effective July 1, 2019	
Line #	Particulars	Values	Formula / Notes
Step 1: Provide total cost estimated for abandonment			
Line 1	Abandonment Cost Estimate	\$244,716,846	In Canadian 2016 dollars at beginning of 2016 (from 2016 ACE Review).
Step 2: Convert to future value (i.e. cost estimated in future year dollars)			
Line 2	Inflation rate	2.00%	
Line 3	Years remaining in Collection Period from beginning of 2016	29	
Line 4	Future value of Abandonment Cost Estimate (i.e. cost estimated in future year dollars)	\$434,579,112	= Line 1 * (1 + Line 2) <sup>Line3</sup> In Canadian 2044 dollars at end of 2044.
Step 3: Other Applicable Inputs			
Line 5	Pre-tax return on funds collected	5.4%	
Line 6	Adjustment for trustee expenses and investment management fees	0.23%	
Line 7	Pre-tax return on funds collected net of trustee expenses and investment management fees	5.17%	= Line 5 – Line 6
Line 8	Company-specific tax rate on investment income	27.00%	Updated for Abandonment Surcharge Application- Effective January 1, 2019
Line 9	Mid-year adjustment factor	50.00%	Used to calculate intra-year returns on annual contributions to reflect the timing of monthly shipper invoices throughout the year.
Line 10	Years remaining in Collection Period from beginning of 2019	26	
Step 4: Calculate Remaining ACE to be Collected as of 2019 and Net Investment Returns and Taxes from 2019 to 2044			
Line 11	Forecast Trust opening balance as of January 1, 2019	\$35,137,203	Based on financial statements from 2015-2017 and forecast amounts for 2018.
Line 12	Remaining amount to achieve ACE by end of 2044	\$399,441,909	= Line 4 - Line 11
Line 13	Aggregate net investment income on opening Trust balances (2019-2044)	\$262,988,870	= $\sum$ (Opening Trust Balance * Line 7) for each year from 2019 to 2044
Line 14	Aggregate net investment income on annual contributions (2019-2044)	\$5,263,517	= (Line 12 * Line 7 * Line 9) * (Line 10)
Line 15	Aggregate income taxes on investment income (2019-2044)	(\$72,428,144)	= (Line 13 + Line 14) * (Line 8 * -1)
Step 5: Compute Annual Contribution Amount			
Line 16	Aggregate Annual Contribution Amount (2019-2044)	\$203,617,668	= Line 12 - Line 13 - Line 14 - Line 15
Line 17	Annual Contribution Amount (ACA)	\$7,831,449	= Line 16 / Line 10

**Appendix 2**

Revised Abandonment Surcharges  
Effective July 1, 2019

Calculations

**SCHEDULE G**

**ABANDONMENT SURCHARGE CALCULATION**

The adjusted Foothills ACA is comprised of the Foothills ACA of approximately \$7.81 million plus tax true-ups totaling \$20 thousand to be contributed by Foothills. <sup>1</sup>

	<u>Total</u>	<u>Zone 6</u>	<u>Zone 7</u>	<u>Zone 8</u>	<u>Zone 9</u>
Billing Determinants (GJ/year) <sup>2</sup>	2,637,949,286	805,151,310	375,355,050	952,339,466	505,103,460
Percentage of Total BDs	100.0%	30.52%	14.23%	36.10%	19.15%

**Monthly Abandonment Surcharge Calculation**

(ACA) / (Total Foothills Billing Determinants) =  
 (\$7.81 Million/year) / (2,637,949,286 GJ/year) \* (365/12) = **0.0900602551 \$/GJ/Month**

**Daily Abandonment Surcharge Calculation**

(ACA) / (Total Foothills Billing Determinants)  
 (\$7.81 Million/year) / 2,637,949,286 GJ/year = **0.0029608851 \$/GJ/Day**

Note(s):

1. Tax True-ups are amounts to be retained and/or contributed by Foothills related to (a) the tax differential arising from accrued surcharges receivable but not received in 2017, and (b) adjustment for the tax rate differential between Foothills and the Trust on income earned in the Trust.
2. Billing Determinants include any known contracts and forecasts for the following services: Firm Transportation Service (FT), Short Term Firm Transportation Service (STFT), Small General Service (SGS), and Interruptible Transportation Service (IT).

**Appendix 3**

Revised Abandonment Surcharges  
Effective July 1, 2019

Blackline and Clean

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**TABLE OF EFFECTIVE RATES**
**1. Rate Schedule FT, Firm Transportation Service**

	Demand Rate (\$/GJ/Km/Month)
Zone 6	0.0053689132
Zone 7	0.0029594363
Zone 8*	0.0163193182
Zone 9	0.0169980422

**2. Rate Schedule OT, Overrun Transportation Service**

	Commodity Rate (\$/GJ/Km)
Zone 6	0.0001941634
Zone 7	0.0001070262

**3. Rate Schedule IT, Interruptible Transportation Service**

	Commodity Rate (\$/GJ/Km)
Zone 8*	0.0005901781
Zone 9	0.0006147237

**4. Monthly Abandonment Surcharge\*\***

All Zones	0.0900602551 <del>0.1250196175</del> (\$/GJ/Month)
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**5. Daily Abandonment Surcharge\*\*\***

All Zones	0.0029608851 <del>0.0041102340</del> (\$/GJ/Day)
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\* For Zone 8, Shippers Haul Distance shall be 170.7 km.

\*\*Monthly Abandonment Surcharge applicable to Rate Schedule Firm Transportation Service, and Short Term Firm Transportation Service for all zones.

\*\*\*Daily Abandonment Surcharge applicable to Rate Schedule Overrun Transportation Service for Zone 6 & 7, Interruptible Transportation Service for Zone 8 & 9, and Small General Service for Zone 9.



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Zone 6	0.0053689132
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	Commodity Rate (\$/GJ/Km)
Zone 8*	0.0005901781
Zone 9	0.0006147237

**4. Monthly Abandonment Surcharge\*\***

All Zones	0.0900602551 (\$/GJ/Month)
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**5. Daily Abandonment Surcharge\*\*\***

All Zones	0.0029608851 (\$/GJ/Day)
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