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February 28, 2018

National Energy Board
Suite 210, 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)
Quarterly Surveillance Report
For the Period Ended December 31, 2017**

Enclosed for filing with the Board is a copy of Foothills' Quarterly Surveillance Report for the period ended December 31, 2017.

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.tccustomerexpress.com/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 Natural Gas Pipelines

Attachment

cc: Foothills Firm and Interruptible Shippers

Foothills Pipe Lines Ltd.

NEB Annual Surveillance Report

For the Year Ended December 31, 2017

Pursuant to the Toll Information Regulations and Guide BB of the National Energy Board (NEB or Board) Filing Manual, as revised in December 2016 and the Board's letter Decision of June 2, 2000 attaching Order TG-2-2000 and Board Order MO-036-2017 dated July 10, 2017, Foothills submits its year-end report for 2017.

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FOOTHILLS PIPE LINES (ALTA.) LTD. - ZONE 6
INCOME SUMMARY
For the Year Ended December 31, 2017
(\$000s)

Particulars	NEB	Period	Decision	Variance	Note
(a)	Accounts	Actual	(d)	(c) - (d)	
	(b)	(c)	(d)	(e)	
Revenue					
Transportation Revenue	300	53,576	51,945	1,631	(*)
Operating Expenses					
Operating, Maintenance & Administrative	301	17,095	21,182	(4,087)	(1)
Fuel & Power	301	9,961	9,665	296	
Emissions Compliance Costs	301	3,632	-	3,632	(2)
Depreciation & Amortization	303-304	10,849	9,404	1,445	(3)
Income Taxes	306	3,240	2,154	1,086	(4)
Taxes Other than Income	305	3,307	3,621	(314)	
NEB & NPA Cost Recovery	301	1,842	2,150	(308)	
Total Operating Expenses		49,926	48,176	1,750	
Operating Income					
		3,650	3,769	(119)	
Financial Charges		695	784	(89)	
Equity Return					
		2,955	2,985	(30)	
Return on Rate Base					
		4.99%	5.10%		
Return on Common Equity					
		10.10%	10.10%		
Average Rate Base					
		73,145	73,907		

(*) Variance primarily due to the difference in Decision and Period Actual costs.

Note:

- 1) Lower mainly due to the capital treatment for certain recoating projects where an entire unit of plant is recoated, vendor discounts, fewer statistical digs and program efficiencies.
- 2) Variance is due to emissions compliance costs not forecast in Decision.
- 3) Variance is primarily due to capital additions.
- 4) Variance is primarily due to higher depreciation and lower CCA deductions.

FOOTHILLS PIPE LINES (ALTA.) LTD. - ZONE 7
INCOME SUMMARY
For the Year Ended December 31, 2017
(\$000s)

Particulars	NEB Accounts	Period Actual	Decision	Variance (c) - (d)	Note
(a)	(b)	(c)	(d)	(e)	
Revenue					
Transportation Revenue	300	6,165	7,734	(1,569)	(*)
Operating Expenses					
Operating, Maintenance & Administrative	301	4,857	6,221	(1,364)	(1)
Depreciation & Amortization	303-304	168	314	(146)	
Income Taxes	306	(156)	(112)	(44)	
Taxes Other than Income	305	806	850	(44)	
NEB & NPA Cost Recovery	301	387	346	41	
Total Operating Expenses		<u>6,062</u>	<u>7,619</u>	<u>(1,557)</u>	
Operating Income		103	115	(12)	
Financial Charges		<u>20</u>	<u>24</u>	<u>(4)</u>	
Equity Return		<u>83</u>	<u>91</u>	<u>(8)</u>	
Return on Rate Base		4.99%	5.12%		
Return on Common Equity		10.10%	10.10%		
Average Rate Base		2,065	2,247		

(*) Variance primarily due to the difference in Decision and Period Actual costs.

Note:

- 1) Lower mainly due to the capital treatment for certain recoating projects where an entire unit of plant is recoated, vendor discounts, fewer statistical digs and program efficiencies.

FOOTHILLS PIPE LINES (SOUTH B.C.) LTD. - ZONE 8
INCOME SUMMARY
For the Year Ended December 31, 2017
(\$000s)

Particulars (a)	NEB Accounts (b)	Period Actual (c)	Decision (d)	Variance (c) - (d) (e)	Note
Revenue					
Transportation Revenue	300	71,232	73,463	(2,231)	(*)
Operating Expenses					
Operating, Maintenance & Administrative	301	15,171	14,287	884	(1)
Fuel & Power	301	583	597	(14)	
Emissions Compliance Costs	301	9,340	9,463	(123)	
Depreciation & Amortization	303-304	21,145	21,100	45	
Income Taxes	306	4,677	7,009	(2,332)	(2)
Taxes Other than Income	305	7,754	8,129	(375)	
Fuel Tax	305	3,829	3,940	(111)	
NEB & NPA Cost Recovery	301	895	923	(28)	
Total Operating Expenses		63,394	65,448	(2,054)	
Operating Income		7,838	8,015	(177)	
Financial Charges		1,454	1,666	(212)	
Equity Return		6,384	6,349	35	
Return on Rate Base		4.96%	5.10%		
Return on Common Equity		10.10%	10.10%		
Average Rate Base		158,007	157,148		

(*) Variance primarily due to the difference in Decision and Period Actual costs.

Note:

- 1) Variance is due to higher maintenance costs than forecast and a higher allocation rate due to higher flows.
- 2) Variance is primarily due to higher capitalized repair and overhaul costs than forecast.

FOOTHILLS PIPE LINES (SASK) LTD. - ZONE 9
INCOME SUMMARY
For the Year Ended December 31, 2017
(\$000s)

Particulars	NEB Accounts	Period Actual	Decision	Variance (c) - (d)	Note
(a)	(b)	(c)	(d)	(e)	
Revenue					
Transportation Revenue	300	49,678	50,753	(1,075)	(*)
Operating Expenses					
Operating, Maintenance & Administrative	301	10,289	10,990	(701)	(1)
Fuel & Power	301	547	651	(104)	
Depreciation & Amortization	303-304	20,281	20,466	(185)	
Income Taxes	306	6,482	6,042	440	
Taxes Other than Income	305	4,413	4,936	(523)	(2)
Fuel Tax	305	503	319	184	
NEB & NPA Cost Recovery	301	396	295	101	
Total Operating Expenses		42,911	43,699	(788)	
Operating Income		6,767	7,054	(287)	
Financial Charges		1,277	1,477	(200)	
Equity Return		5,490	5,577	(87)	
Return on Rate Base		4.98%	5.11%		
Return on Common Equity		10.10%	10.10%		
Average Rate Base		135,866	138,049		

(*) Variance primarily due to the difference in Decision and Period Actual costs.

Note:

- 1) Lower mainly due to the capital treatment for certain recoating projects where an entire unit of plant is recoated, vendor discounts, fewer statistical digs and program efficiencies.
- 2) Variance is primarily due to lower assessed value.

FOOTHILLS PIPE LINES LTD. - Zone 6
AVERAGE RATE BASE
For the Year Ended December 31, 2017
(\$000s)

Particulars	Period Actual	Decision	Variance (b) - (c)
(a)	(b)	(c)	(d)
Plant in Service			
Net Plant	65,240	66,073	(833)
Working Capital			
Linepack	2,577	2,577	-
Prepayments and Deposits	99	99	-
Cash	4,348	4,285	63
Inventory	881	873	8
Total Working Capital	<u>7,905</u>	<u>7,834</u>	<u>71</u>
Total Average Rate Base	<u><u>73,145</u></u>	<u><u>73,907</u></u>	<u><u>(762)</u></u>

FOOTHILLS PIPE LINES LTD. - Zone 7
AVERAGE RATE BASE
For the Year Ended December 31, 2017
(\$000s)

Particulars	Period Actual	Decision	Variance (b) - (c)
(a)	(b)	(c)	(d)
Plant in Service			
Net Plant	366	406	(40)
Working Capital			
Linepack	1,039	1,039	-
Cash	660	802	(142)
Total Working Capital	<u>1,699</u>	<u>1,841</u>	<u>(142)</u>
Total Average Rate Base	<u>2,065</u>	<u>2,247</u>	<u>(182)</u>

FOOTHILLS PIPE LINES LTD. - Zone 8
AVERAGE RATE BASE
For the Year Ended December 31, 2017
(\$000s)

Particulars	Period Actual	Decision	Variance (b) - (c)
(a)	(b)	(c)	(d)
Plant in Service			
Net Plant	150,881	149,857	1,024
Working Capital			
Linepack	1,473	1,473	-
Cash	3,629	3,703	(74)
Inventory	2,024	2,115	(91)
Total Working Capital	<u>7,126</u>	<u>7,291</u>	<u>(165)</u>
Total Average Rate Base	<u>158,007</u>	<u>157,148</u>	<u>859</u>

FOOTHILLS PIPE LINES LTD. - Zone 9
AVERAGE RATE BASE
For the Year Ended December 31, 2017
(\$000s)

Particulars	Period Actual	Decision	Variance (b) - (c)
(a)	(b)	(c)	(d)
Plant in Service			
Net Plant	131,371	133,539	(2,168)
Working Capital			
Linepack	2,316	2,316	-
Cash	1,504	1,514	(10)
Inventory	675	680	(5)
Total Working Capital	<u>4,495</u>	<u>4,510</u>	<u>(15)</u>
Total Average Rate Base	<u>135,866</u>	<u>138,049</u>	<u>(2,183)</u>

**FOOTHILLS PIPE LINES LTD.
DEFERRAL ACCOUNTS
For the Year Ended December 31, 2017**

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.
INTEGRITY SPENDING
For the Year Ended December 31, 2017
(\$000s)

Particulars	Period Actual	
	Operating	Capital
(a)	(b)	(c)
Program Management	1,249	-
Surveillance, Condition Monitoring and Integrity Hazard Assessment	13,520	
Mitigation and Remediation	3,094	5,793
Other Expenditures	27	-
Total Integrity Spending	17,891	5,793

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

**FOOTHILLS PIPE LINES LTD.
ACTUAL AND APPROVED RATE OF RETURN**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actual and Approved Rates of Return on Equity	10.10%	10.10%	10.10%	10.10%	10.10%
Actual Rate of Return on Rate Base	6.85%	4.96%	5.02%	5.07%	4.97%
Approved Rate of Return on Rate Base	6.99%	5.87%	5.16%	5.07%	5.10%

FOOTHILLS PIPE LINES LTD.
INTERCORPORATE TRANSACTIONS
For the Year Ended December 31, 2017
(includes total transactions greater than \$100,000)

- Summary Receipts -

Contracting Party	Nature of Service	(\$000s)	Ref. Sch.#
NOVA Gas Transmission Ltd.	Gas Transportation Service and Sale of Inventory	52,706	6.2
Grand Total		52,706	

FOOTHILLS PIPE LINES LTD.
INTERCORPORATE TRANSACTIONS
For the Year Ended December 31, 2017
(includes total transactions greater than \$100,000)

- Summary Payments -

Contracting Party	Nature of Service	(\$000s)	Ref. Sch.#
TransCanada PipeLines Limited	Interest Payments and Purchase of Inventory	3,685	6.3
NOVA Gas Transmission Ltd.	Purchase of Inventory	264	6.3
Grand Total		3,949	

FOOTHILLS PIPE LINES LTD.
INTERCORPORATE TRANSACTIONS
For the Year Ended December 31, 2017
(\$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	52,454	252	52,706

**FOOTHILLS PIPE LINES LTD.
INTERCORPORATE TRANSACTIONS
For the Year Ended December 31, 2017
(\$000s)**

- Payments -

Contracting Parties: TransCanada PipeLines Limited
 Nature Of Service: Interest Payments and Purchase of Inventory
 Description: Interest payments on Long-term Debt. Purchase of Inventory.

	Interest Payments	Purchase of Inventory	Total
Amount	3,180	505	3,685

Contracting Parties: NOVA Gas Transmission Ltd.
 Nature Of Service: Purchase of Inventory
 Description: Purchase of Inventory.

	Purchase of Inventory
Amount	264

**FOOTHILLS PIPE LINES LTD.
TRAFFIC DATA
(2013-2017)**

Particulars

In accordance with Section BB.2 of Guide BB of the NEB Filing Manual, Traffic Data is being provided to the NEB in a machine-readable format and will be posted by the Board at:
<http://www.neb-one.gc.ca/nrg/ntgrtd/pplnprtl/pplnprfls/index-eng.html>