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March 1, 2019

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, 2018**

Enclosed for filing with the Board is a copy of Foothills' Quarterly Surveillance Report for the period ended December 31, 2018.

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, 2018**

Pursuant to the Toll Information Regulations and Guide BB of the National Energy Board (NEB or Board) Filing Manual, as revised in December 2016, 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 2018.

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**FOOTHILLS PIPE LINES (ALTA.) LTD. - ZONE 6**  
**INCOME SUMMARY**  
**For the Year Ended December 31, 2018**  
**(\$000s)**

<b>Particulars</b>	<b>NEB</b>	<b>Period</b>	<b>Variance</b>	<b>Note</b>
<b>(a)</b>	<b>Accounts</b>	<b>Actual</b>	<b>Decision</b>	<b>(c) - (d)</b>
	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	<b>(e)</b>
<b>Revenue</b>				
Transportation Revenue	300	49,929	55,734	(5,805) (*)
<b>Operating Expenses</b>				
Operating, Maintenance & Administrative	301	12,914	14,815	(1,901) (1)
Fuel & Power	301	11,222	13,415	(2,193) (2)
Emissions Compliance Costs	301	2,878	4,000	(1,122) (3)
Depreciation & Amortization	303-304	12,062	11,798	264
Income Taxes	306	2,197	2,984	(787) (4)
Taxes Other than Income	305	3,345	3,499	(154)
NEB & NPA Cost Recovery	301	1,990	1,864	126
Total Operating Expenses		<u>46,608</u>	<u>52,375</u>	<u>(5,767)</u>
<b>Operating Income</b>		3,321	3,359	(38)
Financial Charges		<u>616</u>	<u>612</u>	<u>4</u>
<b>Equity Return</b>		<u>2,705</u>	<u>2,747</u>	<u>(42)</u>
<b>Return on Rate Base</b>		4.96%	4.94%	
<b>Return on Common Equity</b>		10.10%	10.10%	
<b>Average Rate Base</b>		66,950	68,001	

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

**Notes:**

- 1) Variance primarily due to lower pipe integrity, repair & overhaul expenses and other costs.
- 2) Variance primarily due to lower volumes and higher usage of gas-fired compression.
- 3) Variance primarily due to new regulation in 2018 (Carbon Competitiveness Incentive Regulation) which reduced compliance costs.
- 4) Variance primarily due to higher deductions related to higher capitalized repair and overhaul.

**FOOTHILLS PIPE LINES (ALTA.) LTD. - ZONE 7**  
**INCOME SUMMARY**  
**For the Year Ended December 31, 2018**  
**(\$000s)**

<b>Particulars</b>	<b>NEB</b>	<b>Period</b>	<b>Variance</b>		<b>Note</b>
<b>(a)</b>	<b>Accounts</b>	<b>Actual</b>	<b>Decision</b>	<b>(c) - (d)</b>	
	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	<b>(e)</b>	
<b>Revenue</b>					
Transportation Revenue	300	5,290	8,267	(2,977)	(*)
<b>Operating Expenses</b>					
Operating, Maintenance & Administrative	301	3,792	5,070	(1,278)	(1)
Depreciation & Amortization	303-304	272	1,509	(1,237)	(2)
Income Taxes	306	(134)	330	(464)	
Taxes Other than Income	305	810	853	(43)	
NEB & NPA Cost Recovery	301	460	396	64	
Total Operating Expenses		<u>5,200</u>	<u>8,158</u>	<u>(2,958)</u>	
<b>Operating Income</b>		90	109	(19)	
Financial Charges		<u>17</u>	<u>21</u>	<u>(4)</u>	
<b>Equity Return</b>		<u>73</u>	<u>88</u>	<u>(15)</u>	
<b>Return on Rate Base</b>		4.98%	4.98%		
<b>Return on Common Equity</b>		10.10%	10.10%		
<b>Average Rate Base</b>		1,809	2,179		

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

**Notes:**

- 1) Variance primarily due to lower pipe integrity as a result of fewer in-line inspection projects.
- 2) Variance primarily due to lower in-service additions resulting from lower than anticipated pipe integrity work.

**FOOTHILLS PIPE LINES (SOUTH B.C.) LTD. - ZONE 8**  
**INCOME SUMMARY**  
**For the Year Ended December 31, 2018**  
**(\$000s)**

<b>Particulars</b>	<b>NEB</b>	<b>Period</b>	<b>Variance</b>	<b>Note</b>
<b>(a)</b>	<b>Accounts</b>	<b>Actual</b>	<b>Decision</b>	<b>(c) - (d)</b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	<b>(e)</b>
<b>Revenue</b>				
Transportation Revenue	300	77,530	71,927	5,603 (*)
<b>Operating Expenses</b>				
Operating, Maintenance & Administrative	301	18,481	13,077	5,404 (1)
Fuel & Power	301	654	597	57
Emissions Compliance Costs	301	11,876	10,719	1,157 (2)
Depreciation & Amortization	303-304	21,475	21,799	(324)
Income Taxes	306	5,184	4,712	472
Taxes Other than Income	305	7,266	7,983	(717) (3)
Fuel Tax	305	4,318	4,463	(145)
NEB & NPA Cost Recovery	301	948	906	42
Total Operating Expenses		<u>70,202</u>	<u>64,256</u>	5,946
<b>Operating Income</b>		7,328	7,671	(343)
Financial Charges		<u>1,372</u>	<u>1,422</u>	(50)
<b>Equity Return</b>		<u>5,956</u>	<u>6,249</u>	(293)
<b>Return on Rate Base</b>		4.97%	4.96%	
<b>Return on Common Equity</b>		10.10%	10.10%	
<b>Average Rate Base</b>		147,437	154,649	

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

**Notes:**

- 1) Variance primarily due to increase in dig program and advancement of repair & overhaul projects from 2019.
- 2) Variance primarily due to increase in BC carbon tax rate.
- 3) Variance primarily due to lower property taxes resulting from lower than forecast assessed values.

**FOOTHILLS PIPE LINES (SASK) LTD. - ZONE 9**  
**INCOME SUMMARY**  
**For the Year Ended December 31, 2018**  
**(\$000s)**

<b>Particulars</b>	<b>NEB</b>	<b>Period</b>	<b>Variance</b>	<b>Note</b>
<b>(a)</b>	<b>Accounts</b>	<b>Actual</b>	<b>Decision</b>	<b>(c) - (d)</b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	<b>(e)</b>
<b>Revenue</b>				
Transportation Revenue	300	45,656	44,232	1,424 (*)
<b>Operating Expenses</b>				
Operating, Maintenance & Administrative	301	7,424	6,755	669 (1)
Fuel & Power	301	735	651	84
Depreciation & Amortization	303-304	20,280	20,184	96
Income Taxes	306	6,100	5,123	977 (2)
Taxes Other than Income	305	4,492	4,545	(53)
Fuel Tax	305	349	554	(205)
NEB & NPA Cost Recovery	301	303	534	(231)
Total Operating Expenses		39,683	38,346	1,337
<b>Operating Income</b>		5,973	5,886	87
Financial Charges		1,099	1,072	27
<b>Equity Return</b>		4,874	4,814	60
<b>Return on Rate Base</b>		4.95%	4.94%	
<b>Return on Common Equity</b>		10.10%	10.10%	
<b>Average Rate Base</b>		120,665	119,147	

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

**Notes:**

- 1) Variance primarily due to more pipe integrity projects than anticipated.
- 2) Variance primarily due to lower deductions related to lower capitalized repair and overhaul.

**FOOTHILLS PIPE LINES LTD. - Zone 6**  
**AVERAGE RATE BASE**  
**For the Year Ended December 31, 2018**  
**(\$000s)**

<b>Particulars</b>	<b>Period Actual</b>	<b>Decision</b>	<b>Variance (b) - (c)</b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>
<b>Plant in Service</b>			
Net Plant	59,700	60,143	(443)
<b>Working Capital</b>			
Linepack	2,577	2,577	-
Prepayments and Deposits	99	99	-
Cash	3,699	4,304	(605)
Inventory	875	878	(3)
Total Working Capital	<u>7,250</u>	<u>7,858</u>	<u>(608)</u>
<b>Total Average Rate Base</b>	<u>66,950</u>	<u>68,001</u>	<u>(1,051)</u>

**FOOTHILLS PIPE LINES LTD. - Zone 7**  
**AVERAGE RATE BASE**  
**For the Year Ended December 31, 2018**  
**(\$000s)**

<b>Particulars</b>	<b>Period Actual</b>	<b>Decision</b>	<b>Variance (b) - (c)</b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>
<b>Plant in Service</b>			
Net Plant	268	422	(154)
<b>Working Capital</b>			
Linepack	1,039	1,039	-
Cash	502	718	(216)
Total Working Capital	<u>1,541</u>	<u>1,757</u>	<u>(216)</u>
<b>Total Average Rate Base</b>	<u>1,809</u>	<u>2,179</u>	<u>(370)</u>



**FOOTHILLS PIPE LINES LTD. - Zone 8**  
**AVERAGE RATE BASE**  
**For the Year Ended December 31, 2018**  
**(\$000s)**

<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	139,429	147,500	(8,071)	(1)
<b>Working Capital</b>				
Linepack	1,473	1,473	-	
Cash	4,468	3,702	766	
Inventory	2,067	1,974	93	
Total Working Capital	<u>8,008</u>	<u>7,149</u>	<u>859</u>	
<b>Total Average Rate Base</b>	<u>147,437</u>	<u>154,649</u>	<u>(7,212)</u>	

**Note:**

1) Variance primarily due to timing of maintenance projects compared to Decision.

**FOOTHILLS PIPE LINES LTD. - Zone 9**  
**AVERAGE RATE BASE**  
**For the Year Ended December 31, 2018**  
**(\$000s)**

<b>Particulars</b>	<b>Period Actual</b>	<b>Decision</b>	<b>Variance (b) - (c)</b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>
<b>Plant in Service</b>			
Net Plant	116,494	115,055	1,439
<b>Working Capital</b>			
Linepack	2,316	2,316	-
Cash	1,201	1,119	82
Inventory	654	657	(3)
Total Working Capital	4,171	4,092	79
<b>Total Average Rate Base</b>	<b>120,665</b>	<b>119,147</b>	<b>1,518</b>

**FOOTHILLS PIPE LINES LTD.  
DEFERRAL ACCOUNTS  
For the Year Ended December 31, 2018**

**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.**  
**INTEGRITY SPENDING**  
**For the Year Ended December 31, 2018**  
**(\$000s)**

<b>Particulars</b>	<b>Period Actual</b>	
	<b>Operating</b>	<b>Capital</b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
Program Management	2,160	-
Surveillance, Condition Monitoring and Integrity Hazard Assessment	5,274	-
Mitigation and Remediation	6,384	21,399
Other Expenditures	22	-
<b>Total Integrity Spending</b>	<b>13,840</b>	<b>21,399</b>

**FOOTHILLS PIPE LINES LTD.  
ACTUAL AND APPROVED RATE OF RETURN  
(2014-2018)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Actual and Approved Rates of Return on Equity</b>	10.10%	10.10%	10.10%	10.10%	10.10%
<b>Actual Rate of Return on Rate Base</b>	4.96%	5.02%	5.07%	4.97%	4.96%
<b>Approved Rate of Return on Rate Base</b>	5.87%	5.16%	5.07%	5.10%	4.95%

**FOOTHILLS PIPE LINES LTD.**  
**INTERCORPORATE TRANSACTIONS**  
**For the Year Ended December 31, 2018**  
(includes total transactions greater than \$100,000)

- Summary Receipts -

Contracting Party	Nature of Service	(\$000s)	Ref. Sch.#
NOVA Gas Transmission Ltd.	Gas Transportation Service	63,360	6.2
TransCanada PipeLines Limited	Sale of Inventory	225	6.2
<b>Grand Total</b>		<b>63,585</b>	

**FOOTHILLS PIPE LINES LTD.**  
**INTERCORPORATE TRANSACTIONS**  
**For the Year Ended December 31, 2018**  
(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	3,266	6.3
NOVA Gas Transmission Ltd.	Purchase of Inventory	1,199	6.3
<b>Grand Total</b>		<b>4,465</b>	

**FOOTHILLS PIPE LINES LTD.**  
**INTERCORPORATE TRANSACTIONS**  
**For the Year Ended December 31, 2018**  
**(\$000s)**

**- Receipts -**

Contracting Parties: NOVA Gas Transmission Ltd.

Nature Of Service: Gas Transportation

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

	Gas Transportation
Amount	63,360

Contracting Parties: TransCanada PipeLines Limited

Nature Of Service: Sale of Inventory

Description: Sale of Inventory

	Sale of Inventory
Amount	225



**FOOTHILLS PIPE LINES LTD.  
INTERCORPORATE TRANSACTIONS  
For the Year Ended December 31, 2018  
(\$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	3,000	266	3,266

Contracting Parties: NOVA Gas Transmission Ltd.

Nature Of Service: Purchase of Inventory

Description: Purchase of Inventory

	Purchase of Inventory
Amount	1,199

**FOOTHILLS PIPE LINES LTD.  
TRAFFIC DATA  
For the Year Ended December 31, 2018**

**Particulars**

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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>