

Slide Revision – October 19

- Slide 18 was changed to reflect the correct filing date



Preliminary Effective 2019 Rates and Abandonment Surcharge

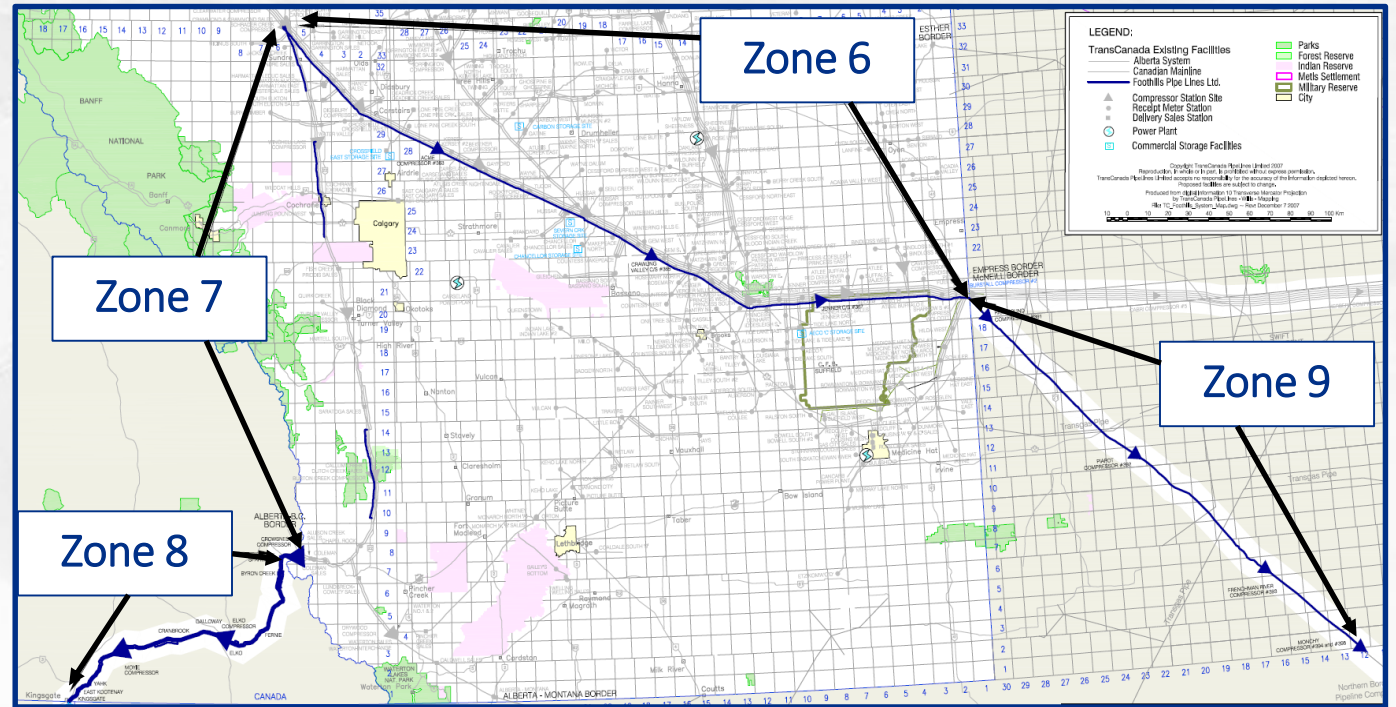
October 18, 2018



For Discussion Purposes of the Foothills Pipe Lines Ltd. Customer Meeting

Agenda

- Cost of Capital
- Foothills Zone 8 (BC)
 - Cost & Revenue
 - Rule of Thumb
 - Waste Heat Update
- Foothills Zone 9 (SK)
 - Costs & Revenue
 - Rule of Thumb
- Abandonment Surcharge
- Filing Timeline



Introduction

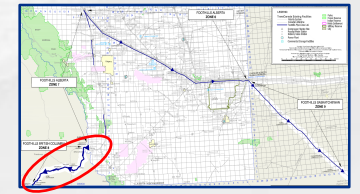
- Currently under 2018 Effective Rates
- Foothills Pipe Lines Ltd. will be filing 2019 Rates to be effective on January 1, 2019
 - 2019 Abandonment Surcharges will also be addressed
- Foothills Effective Rates are based on:
 - 2019 forecast of contracts / throughput
 - 2019 forecast of costs
 - 2018 projected deferrals

Cost of Capital

For 2019 Rates:

- Foothills proposes to continue the current cost of capital parameters; 10.1% ROE on 40% deemed equity
 - Parameters approved by NEB in Order TG-011-2013

Overview of Zone 8 (BC)



The Revenue Requirement:

- 2019 - \$86.2 Million (2018 Rate Filing: \$71.9 Million)
- After adjustments for (over)/under: 2019 - \$90.2 Million (2018 Rate Filing: \$65.3 Million)

Total Firm Contract:

- 2019 – 2,529 TJ/d (2018 Rate Filing: 2,358 TJ/d)

Total Throughput:

- 2019 – 2,609 TJ/d (2018 Rate Filing: 2,341 TJ/d)

Results in an FT Rate of:

- 2019 – 9.2 ¢/GJ (2018 Rate: 7.3 ¢/GJ)

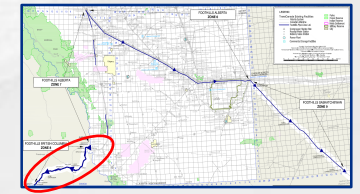
Zone 8 (BC) – Costs and Revenue (\$Thousands)



	2018 Rates Filing	2019 Preliminary	Difference
Cost of Service			
O&M	14,580	18,732	4,152
Return & Depreciation	29,470	31,947	2,477
Taxes	12,695	13,996	1,301
Emission Compliance Costs	10,719	15,000	4,281
Other	4,463	6,476	2,013
Sub-Total	71,927	86,151	14,224
Adjustments			
Previous (Over) Under	(6,587)	4,069	10,656
Total Revenue Requirement	65,340	90,219	24,879
Other Revenue			
STFT	(813)	(662)	151
IT	(1,662)	(4,998)	(3,336)
Firm Revenue Requirement	62,865	84,559	21,694

Totals may not add due to rounding

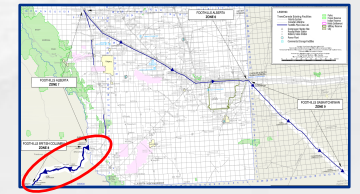
Zone 8 (BC) – Contract & Throughput (TJ/d)



	2018	2019	
	<u>Rates Filing</u>	<u>Preliminary</u>	<u>Difference</u>
Firm Contract Demand	2,358	2,529	171
Throughput to Services			
Firm Volumes	2,254	2,453	199
STFT Volumes	31	20	(11)
Interruptible Volumes	<u>57</u>	<u>136</u>	<u>79</u>
Total Throughput	<u>2,342</u>	<u>2,609</u>	<u>267</u>

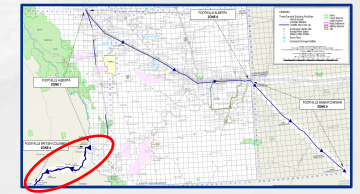
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Zone 8 (BC) – 2019 Rate Sensitivity – Rule of Thumb



- A \$1 million dollar increase (decrease) in revenue requirement results in approximately a 0.10¢/GJ increase (decrease) in the Full Path Firm Transportation rate
- A 100 TJ/d increase (decrease) in contract level results in approximately a 0.33¢/GJ decrease (increase) in the Full Path Firm Transportation rate

Zone 8 (BC) – Waste Heat

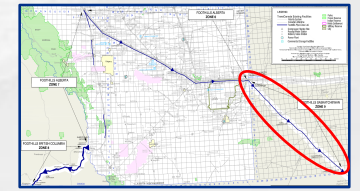


- Power plant commenced operations in December 2012 using recovered heat to produce electricity
- Foothills receives a heat access payment which is shared 50-50 between Foothills and Zone 8 Shippers
- OM&A Credits to Zone 8 Shippers:

(\$Thousands)	Heat Access	Backpressure and Land Lease	Total
2014	173	18	191
2015	161	14	175
2016	233	22	256
2017	239	32	271
2018 (Jan-Jun)	123	13	136

- Waste heat recovery was not operating Dec 2014 – Apr 2015

Overview of Zone 9 (SK)



The Revenue Requirement:

- 2019 - \$54.2 Million (2018 Rate Filing: \$44.2 Million)
- After adjustments for (over)/under: 2019 - \$64.2 Million (2018 Rate Filing: \$40.6 Million)

Total Firm Contract:

- 2019 – 1,222 TJ/d (2018 Rate Filing: 671 TJ/d)

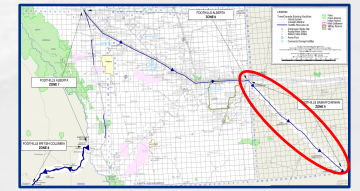
Total Throughput:

- 2019 – 1,384 TJ/d (2018 Rate Filing: 1,753 TJ/d)

Results in an FT Rate of:

- 2019 – 14.5 ¢/GJ (2018 Rate: 6.6 ¢/GJ)

FH Zone 9 (SK) 2019 Preliminary Rates



- Firm contract levels are significantly higher
- Total forecasted throughput is down 370 TJ/d
- Revenue Requirement is \$23.5 million higher than 2018 forecast:
 - ~\$10 million increase in the cost of service largely driven by Emission Compliance costs and Taxes
 - ~\$10 million forecasted under collection compared with a forecast \$3.5 million overcollection in 2018; net change of ~\$13.5 million

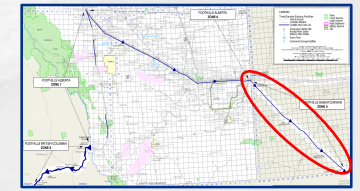
Zone 9 (SK) – Costs and Revenue (\$Thousands)



	2018 <u>Rates Filing</u>	2019 <u>Preliminary</u>	<u>Difference</u>
Cost of Service			
O&M	7,940	8,833	893
Return & Depreciation	26,070	27,359	1,289
Taxes (income + other)	9,668	11,804	2,136
Emission Compliance Costs	-	5,000	5,000
Other	554	1,246	692
Sub-Total	44,232	54,242	10,010
Adjustments			
Previous (Over) Under	(3,587)	9,934	13,521
Total Revenue Requirement	40,645	64,177	23,532
Other Revenue			
STFT	(2,618)	(1,718)	900
IT	(26,091)	(9,249)	16,842
SGS	(2)	(5)	(3)
Firm Revenue Requirement	11,934	53,205	41,271

Totals may not add due to rounding

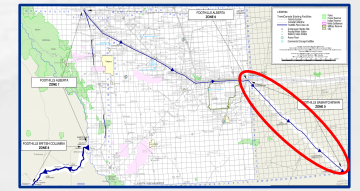
Zone 9 (SK) – Contracts and Throughput (TJ/d)



	2018 Rates Filing	2019 Preliminary	Difference
Firm Contract Demand	671	1,222	551
Throughput to Services			
Firm Volumes	636	1,185	549
STFT Volumes	109	32	(77)
Interruptible Volumes	1,009	166	(843)
Total Throughput	<u>1,754</u>	<u>1,384</u>	<u>(370)</u>

Totals may not add due to rounding

Zone 9 (SK) – 2019 Rate Sensitivity – Rule of Thumb



- A \$1 million dollar increase (decrease) in revenue requirement results in approximately a 0.23¢/GJ increase (decrease) in the Full Path Firm Transportation rate
- A 100 TJ/d increase (decrease) in throughput results in approximately a 1.1¢/GJ decrease (increase) in the Full Path Firm Transportation rate

Abandonment Surcharges

Based on updated forecast of 2019 Billing Determinants

- Annual Collection Amount \$10.9 million
 - Additional ~\$8.5k for Tax True-Up
- Applicable to all Foothills Zones
 - NGTL pays Zone 6 & 7 Surcharges

2019 Abandonment Collection

- Daily Abandonment Surcharge 0.41 ¢/GJ
- Monthly Abandonment Surcharge 12.78 ¢/GJ

2018 Abandonment Collection (For Comparison)

- Daily Abandonment Surcharge 0.31 ¢/GJ
- Monthly Abandonment Surcharge 9.42 ¢/GJ

Abandonment Surcharges

Breakdown of Abandonment Billing Determinants

	Total	Zone 6	Zone 7	Zone 8 (BC)	Zone 9 (SK)
Billing Determinants (PJ/year)	2,561	805	375	930	450
Percentage of Total BDs	100%	31.4%	14.7%	36.3%	17.6%

Totals may not add due to rounding

Filing Timeline

- Foothills intends to file for 2019 Effective rates and 2019 abandonment surcharges by October 31, 2018
- In the event of changes to the 2019 preliminary rates, updates will be posted on Customer Express with email and NRG notifications to follow

<http://www.transcanada.com/customerexpress/935.html>

Questions / Contacts

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