

Introduction – Foothills Rates



- Foothills is currently on 2014 effective rates for Zones 6-9
- 2015 effective rates are to be determined
- TransCanada is consulting with shippers on 2015 cost of capital and the basis of 2015 rates prior to setting rates this fall
- Preliminary 2015 rates can be provided at a shipper meeting on October 9 for filing with the National Energy Board (NEB) on October 31



Recent History



- **For 2014 rates, components of the Foothills revenue requirements were established based on the historic approach:**
 - General and administrative (G&A) costs established under the 2003-2015 Settlement
 - Depreciation continues to be established following the existing approach – 3% composite rate established in the Tariff
 - In 2013, Foothills cost of capital was established for 2013 and 2014 at 10.1% ROE on 40% deemed equity – the same parameters as for the NGTL System

Proposal for the basis of 2015 rates



- **Components of the revenue requirement continue to be established based on the historic approach:**
 - G&A continues to be established by the existing Settlement
 - Depreciation continues to be established using the existing approach
 - Foothills cost of capital continues in 2015 as it was for 2013 and 2014
- **If Foothills and shippers are generally aligned on the approach for 2015 rates, TransCanada will file rates on that basis with the NEB**
 - If there are outstanding commercial third-party concerns, TransCanada would provide information on these concerns as part of the NEB rate filing
- **Benefits of achieving alignment on rates:**
 - Increased certainty of costs and rates through 2015
 - Reduced regulatory process and costs associated with a litigated cost of capital application

2015 Revenue Requirements & Rates



- **2015 revenue requirements will be based on:**
 - The proposal for the basis of 2015 rates; and,
 - 2015 forecasts of costs.
- **The proposal to maintain revenue requirement parameters (cost of capital, depreciation, G&A) for 2015 at 2014 levels does not in and of itself result in cost changes that will impact 2015 rates**
- **2015 effective rates can differ from 2014 rates and will be determined based on:**
 - 2015 revenue requirements;
 - 2015 forecast throughput; and,
 - 2014 over/under-collection.

Rate Sensitivity Rules-of-Thumb



- **The 2014 rate sensitivity rules-of-thumb (ROT) were provided in October 2013 for:**
 - Zone 8:
 - Throughput ROT: A 100 TJ/d increase (decrease) in contract level results in approximately a 0.42¢ decrease (increase) in the average FT rate
 - Cost ROT: A \$1 million dollar increase (decrease) in revenue requirement results in approximately a 0.14¢/GJ increase (decrease) in the average FT rate
 - Zone 9:
 - Throughput ROT: A 100 TJ/d increase (decrease) in throughput level results in approximately a 0.35¢ decrease (increase) in the average FT rate
 - Cost ROT: A \$1 million dollar increase (decrease) in revenue requirement results in approximately a 0.15¢/GJ increase (decrease) in the average FT rate
- **The 2015 rate sensitivity ROT will be provided at the October 2014 shipper meeting**

Summary & Next Steps



- **TransCanada proposes the historic approach continues for components of the 2015 revenue requirements**
- **The approach increases certainty regarding costs and rates through 2015**
- **2015 effective rates can be established based on the proposal, forecast costs and throughput, and 2014 over/under-collections**
- **Next steps:**
 - At the October 9 Foothills shipper meeting, TransCanada will present preliminary 2015 rates
 - Currently expect filing 2015 effective rates on October 31, 2014

Contact Information



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