



Foothills 2005 Rates

Foothills 2005 Rates Application to be filed
with the NEB on or before December 1, 2004



2005 Forecast Key Notes



- **The Foothills system will maintain its current:**
 - debt to equity ratio (70/30), adjusted for IROR;
 - return on equity based on NEB formula (9.46% changed from 9.56); and
 - depreciation rates (3%) for all asset classes.
- **For Zone 9 forecasted interruptible revenues have been included in the 2005 toll calculation.**
- **Subject to the G&A Settlement, rates on the Foothills system are based on a full cost-of-service with over and under collections trued up in the following year.**

Overview of Zone 9 2005 Revenue Requirement



The Revenue Requirement:

- **2005 - \$57.5 million;** (2004 - \$63.5 million)
 - decrease of \$6 million due to decrease in return on ratebase. This decrease is due to lower interest rates resulting from re-financing Foothills debt.

Includes O&M budget of:

- **2005 \$12.4 million;** (2004 \$12.8 million)

Results in a T-1 Rate of:

- **2005 7.1¢/mcf;** (2004 7.8¢/mcf)

Review of 2004 Zone 9 Costs and Revenue, (\$000)



	2004	2004*	
Costs	Budget	Forecast	Difference
O&M	13,233	12,828	(405)
Return & Dep.	44,019	44,160	141
Taxes (Income & Other)	3,327	3,840	513
Special Charge	792	746	(46)
G&A Settlement	<u>(182)</u>	<u>(191)</u>	<u>(9)</u>
Savings			
Total**	61,189	61,383	194
Revenue			
Interruptible	<u>(0.0)</u>	<u>(5,715)</u>	<u>(5,715)</u>
T-1 Rev. Rqmt**	61,189	55,668	(5,521)

* Forecast includes 9 months of actuals

** Totals may not add due to rounding

2005 Forecasted Costs and Revenue, (\$000)



	2004*	2005	
Costs	Forecast	Budget	Difference
O&M	12,828	12,404	(424)
Return & Dep.	44,160	38,655	(5,505)
Taxes (Income & Other)	3,840	3,871	31
Special Charge	746	566	(180)
G&A Settlement Savings	(191)	(285)	(94)
Fuel Tax	<u>2,109</u>	<u>2,043</u>	<u>(66)</u>
Total**	63,492	57,254	(6,238)
Revenue			
IT & SGS-1	(5,715)	(22,027)	(16,312)
T-1 Rev. Rqmt**	57,777	35,227	(22,550)

* Forecast includes 9 months of actuals

** Totals may not add due to rounding

Zone 9 - Contract Demand and Throughput Quantities (mmcf/d)



	2004* Forecast	2005 Budget	Difference
Throughput	2,156	2,132	(24)
T-1 Contract Demand	2,034	1,359	(675)
Throughput Forecasted to flow as T-1	1,965	1,359	(606)
Forecasted Interruptible Volumes	191	773	582

*Forecast includes 9 months of actuals

Comparison of 2004 Effective Rates to 2005
Proposed Rates
(¢/mcf/d)



	<u>2004 Zone 9</u>	<u>2005 Zone 9</u>	<u>Difference</u>
<u>Full Haul Rate</u>			
T-1 Rate	7.8	7.1	(0.7)
IT Rate	8.8*	7.8	(1.0)

*Tier 1 Rate

Rate Sensitivity



Rule of Thumb for T-1 Full Haul Rates – Zone 9

- A \$1 million dollar increase (decrease) in revenue requirement results in approx. a 0.1¢/mcf increase (decrease) in the T-1 full haul rate.
- A 100 mmcf/d increase (decrease) in IT throughput results in approx. a 0.4¢ decrease (increase) in the T-1 full haul rate.

Rate Sensitivity for 2005

- A \$2 million increase (decrease) in revenue requirement and a 100 mmcf/d decrease (increase) in throughput results in an approx. 10% increase (decrease) to rates.

2005 Proposed Rates - Contacts



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