



# Preliminary 2017 Rates and Abandonment Surcharge

## Foothills Shipper Meeting

October 12, 2016

For Discussion Purposes with Foothills Shippers



# Agenda



- **Cost of Capital**
- **Foothills Zone 8**
  - Costs and Revenue
  - Rule of Thumb
  - Waste Heat Update
- **Foothills Zone 9**
  - Costs and Revenue
  - Rule of Thumb
- **Abandonment Surcharge**
- **Filing Timeline**

# Introduction



- Currently under 2016 Effective Rates
- Foothills Pipelines Ltd. will be filing 2017 Rates to be effective on January 1, 2017
  - 2017 Abandonment Surcharges will also be addressed
- Foothills Effective Rates are based on:
  - 2017 forecast of contracts / throughput
  - 2017 forecast of costs
  - 2016 projected deferrals

# Cost of Capital



## For 2016 rates,

- Foothills cost of capital was established at 10.1% ROE on 40% deemed equity

## For 2017 rates,

- Foothills proposes to continue the current cost of capital parameters, as first approved in Order TG-011-2013

# Overview of Zone 8 (BC)



## The Revenue Requirement:

- 2017 - \$73.5 Million (2016 Rate Filing: \$66.9 Million)
- After adjustments for (over)/under:  
2017 - \$64.7 Million (2016 Rate Filing: \$63.1 Million)

## Total Firm Contract:

- 2017 – 2,357 TJ/d (2016 Rate Filing: 2,039 TJ/d)

## Total Throughput:

- 2017 – 2,337 TJ/d (2016 Rate Filing: 2,057 TJ/d)

## Results in an FT Rate of:

- 2017 – 7.0 ¢/GJ (2016 Rate: 8.1 ¢/GJ)

## Zone 8 – Costs and Revenue (\$000)



	2016 Rate Filing	2017 Preliminary	Difference
<b>Cost</b>			
O&M	14,008	15,807	1,799
Return & Depr	29,235	29,115	(120)
Taxes (income + Other)	23,683	28,541	4,858
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	66,926	73,463	6,537
<b>Adjustments</b>			
Previous (Over) Under	(3,866)	(8,801)	(4,935)
<b>Total</b>	<hr/>	<hr/>	<hr/>
	63,060	64,662	1,602
<b>Other Revenue</b>			
STFT	(792)	(1,397)	(605)
IT	(1,615)	(2,854)	(1,239)
<b>Firm Rev Rqmt<sup>1</sup></b>	<hr/>	<hr/>	<hr/>
	60,654	60,411	(243)

1. Totals may not add due to rounding

# Zone 8 - Contract and Throughput (TJ/d)



	2016	2017	
	Rate Filing	Preliminary	Difference
<b>Firm Contract Demand<sup>1</sup></b>	2,039	2,357	318
<b>Throughput to Services:</b>			
Firm Volumes	1,981	2,181	200
STFT Volumes	27	55	28
Interruptible Volumes	50	101	52
<b>Total<sup>2</sup></b>	<b>2,057</b>	<b>2,337</b>	<b>280</b>

1. Annualized contract demand quantity
2. Totals may not add due to rounding

## Zone 8 2016 Rate Sensitivity – Rule of Thumb



**A \$1 million dollar increase (decrease) in revenue requirement results in approximately a 0.11¢/GJ increase (decrease) in the average FT rate**

**A 100 TJ/d increase (decrease) in contract level results in approximately a 0.27¢ decrease (increase) in the average FT rate**



# Zone 8 – 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:

	Heat Access	Backpressure and Land Lease	Total
2014	\$173k	\$18k	\$191k
2015	\$161k	\$14k	\$175k
2016 (Jan-Aug)	\$162k	\$7k	\$169k

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

# Overview of Zone 9 (SK)



## The Revenue Requirement:

- 2017 - \$50.8 Million (2016 Rate Filing: \$46.4 Million)
- After adjustments for (over)/under:  
2017 - \$46.5 Million (2016 Rate Filing: \$42.3 Million)

## Total Throughput:

- 2017 – 1,834 TJ/d (2016 Rate Filing: 1,678 TJ/d )

## Results in an FT Rate of:

- 2017 – 7.5 ¢/GJ (2016 Rate: 7.3 ¢/GJ)

## Zone 9 - Costs and Revenue (\$000)



	2016 Rate Filing	2017 Preliminary	Difference
<b>Cost</b>			
O&M	6,425	11,936	5,511
Return & Depr	28,163	27,520	(643)
Taxes (income + Other)	11,808	11,297	(511)
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	46,396	50,753	4,357
<b>Adjustments</b>			
Previous (Over) Under	(4,118)	(4,270)	(152)
<b>Total</b>	<hr/>	<hr/>	<hr/>
	42,278	46,483	4,205
<b>Other Revenue</b>			
STFT	(26,299)	(21,851)	4,448
IT & SGS	(5404)	(10,257)	(4,853)
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<b>Firm Rev Rqmt<sup>1</sup></b>	10,576	14,376	3,800

1. Totals may not add due to rounding

# Zone 9 - Contracts and Throughput (TJ/d)



	2016	2017	
	Rate Filing	Preliminary	Difference
<b>Firm Contract Demand<sup>1</sup></b>	509	673	165
<b>Throughput to Services:</b>			
Firm Volumes	498	669	172
STFT Volumes	952	791	(161)
Interruptible Volumes	228	374	146
<b>Total<sup>2</sup></b>	1678	1834	157

1. Annualized contract demand quantity
2. Totals may not add due to rounding

## Zone 9 2016 Rate Sensitivity – Rule of Thumb



**A \$1 million dollar increase (decrease) in revenue requirement results in approximately a 0.16¢/GJ increase (decrease) in the FT rate**

**A 100 TJ/d increase (decrease) in throughput results in approximately a 0.41¢ /GJ decrease (increase) in the FT rate**

# Abandonment Surcharges



## Based on updated forecast of 2017 Billing Determinants

- Annual Collection Amount \$8.8 million, unchanged
- Applicable to all Foothills Zones
  - NGTL pays Zone 6 & 7 Surcharges

## 2017 Abandonment Collection

- Daily Abandonment Surcharge 0.30 ¢/GJ
- Monthly Abandonment Surcharge 9.23 ¢/GJ

## 2016 Abandonment Collection (For Comparison)

- Daily Abandonment Surcharge 0.34 ¢/GJ
- Monthly Abandonment Surcharge 10.48 ¢/GJ

# Abandonment Surcharges



## Breakdown of Abandonment Billing Determinants

	Total	Zone 6	Zone 7	Zone 8	Zone 9
Billing Determinants (GJ/year)	2,899,217,417	798,557,220	508,587,715	917,243,370	674,829,112
Percentage of Total BDs	100%	27.5%	17.5%	31.6%	23.3%

# Filing Timeline



- Presentation material will be posted on Customer Express on October 12, 2016 with notification by NrG Bulletin
- Review of 2017 preliminary rates at the October 12, 2016 Foothills Shipper Meeting
- In the event of changes to the 2017 preliminary rates, updates will be posted on Customer Express with email and NRG notifications:  
<http://www.transcanada.com/customerexpress/935.html>
- Foothills intends to file for 2017 effective rates and 2017 abandonment surcharges by the end of October



# 2017 Preliminary Rates - Contacts



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