

Foothills Consultation Meetings

October 4 - Calgary, AB

October 26 - Houston, TX

Agenda



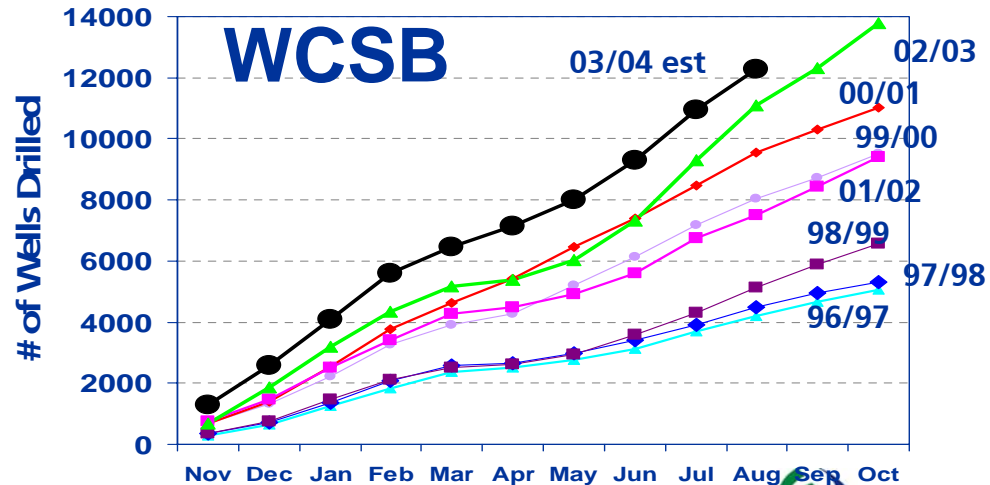
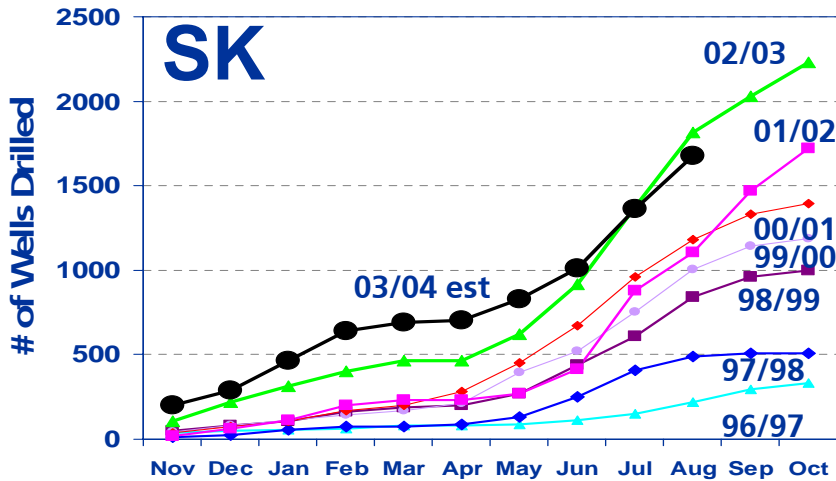
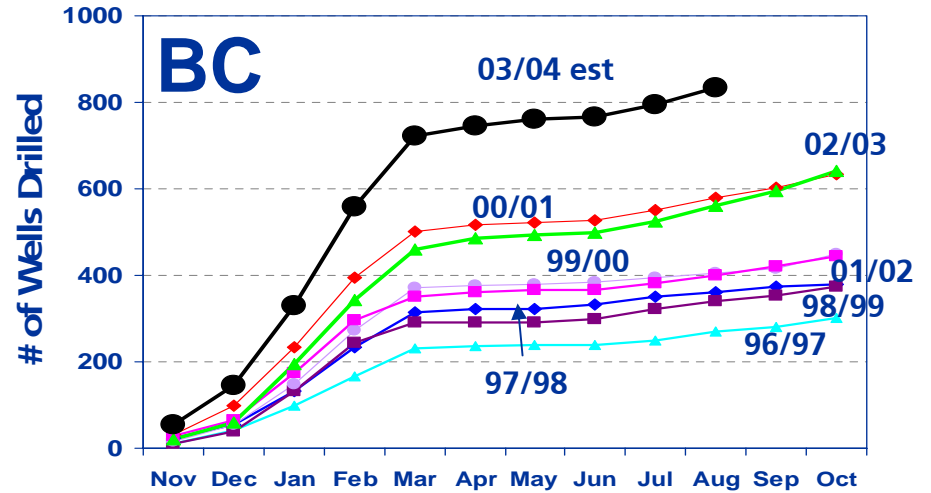
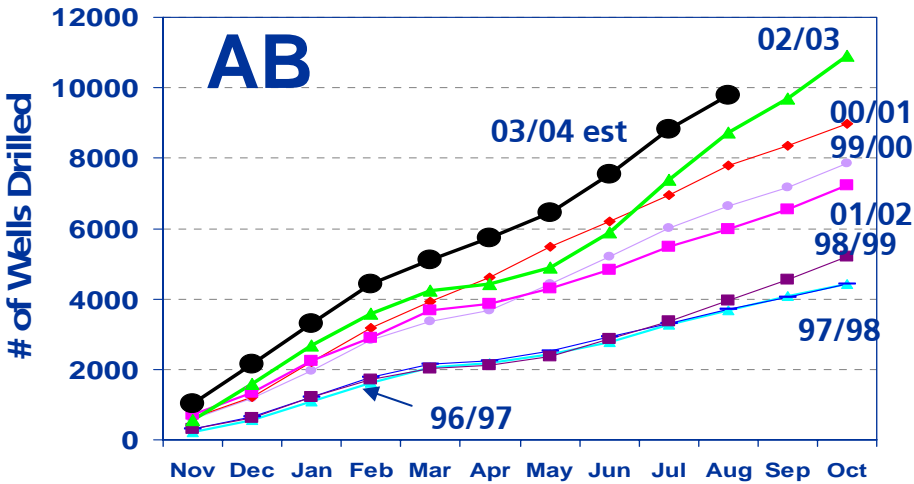
- Market Overview
- 2005 Rates
- Fuel Recovery
- Service and Tariff Amendments
 - Short Term Firm discussion

Key Messages

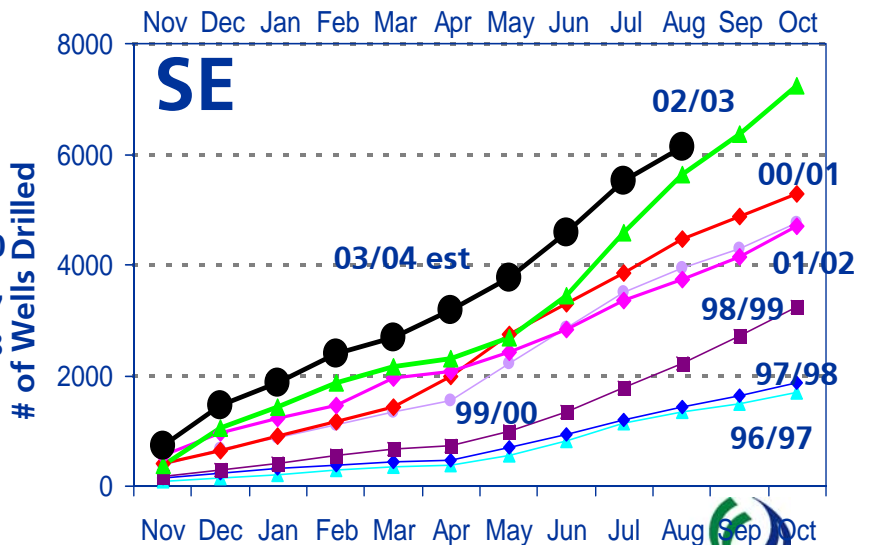
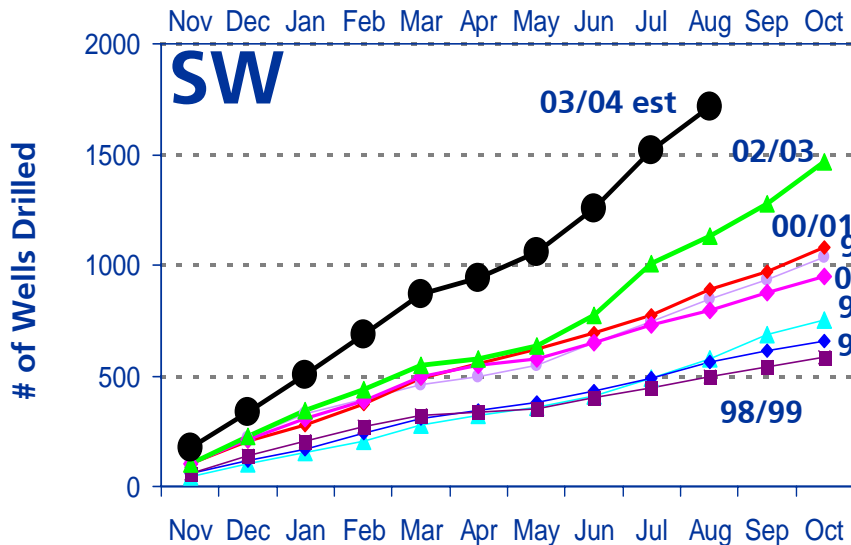
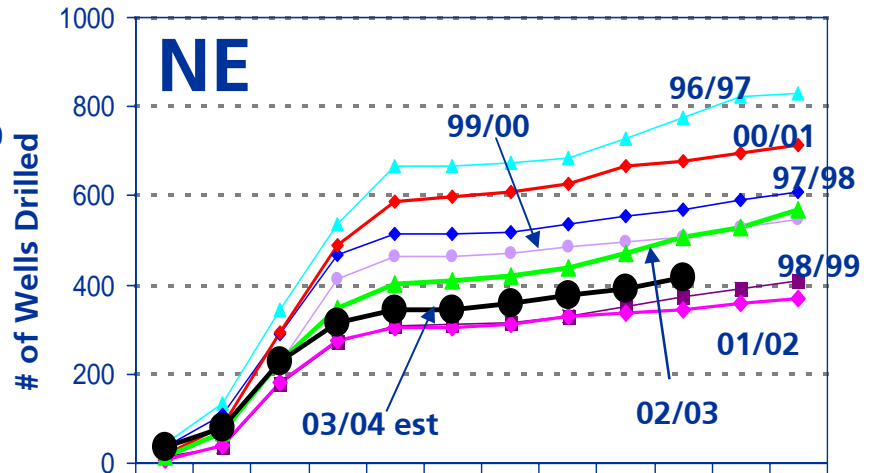
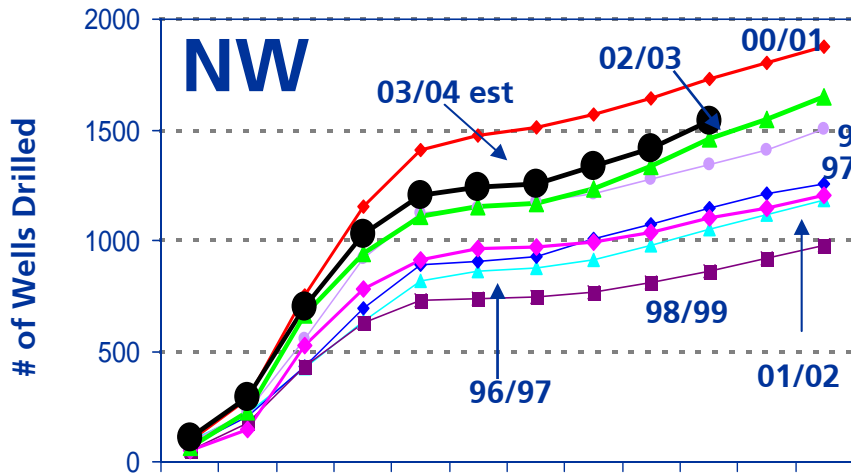


- WCSB production has grown in 2004 (200 mmcf/d)
- Seamless transition
- Re-contracting much different in 2004 vs 2003
- TransCanada believes this path will continue with high utilization

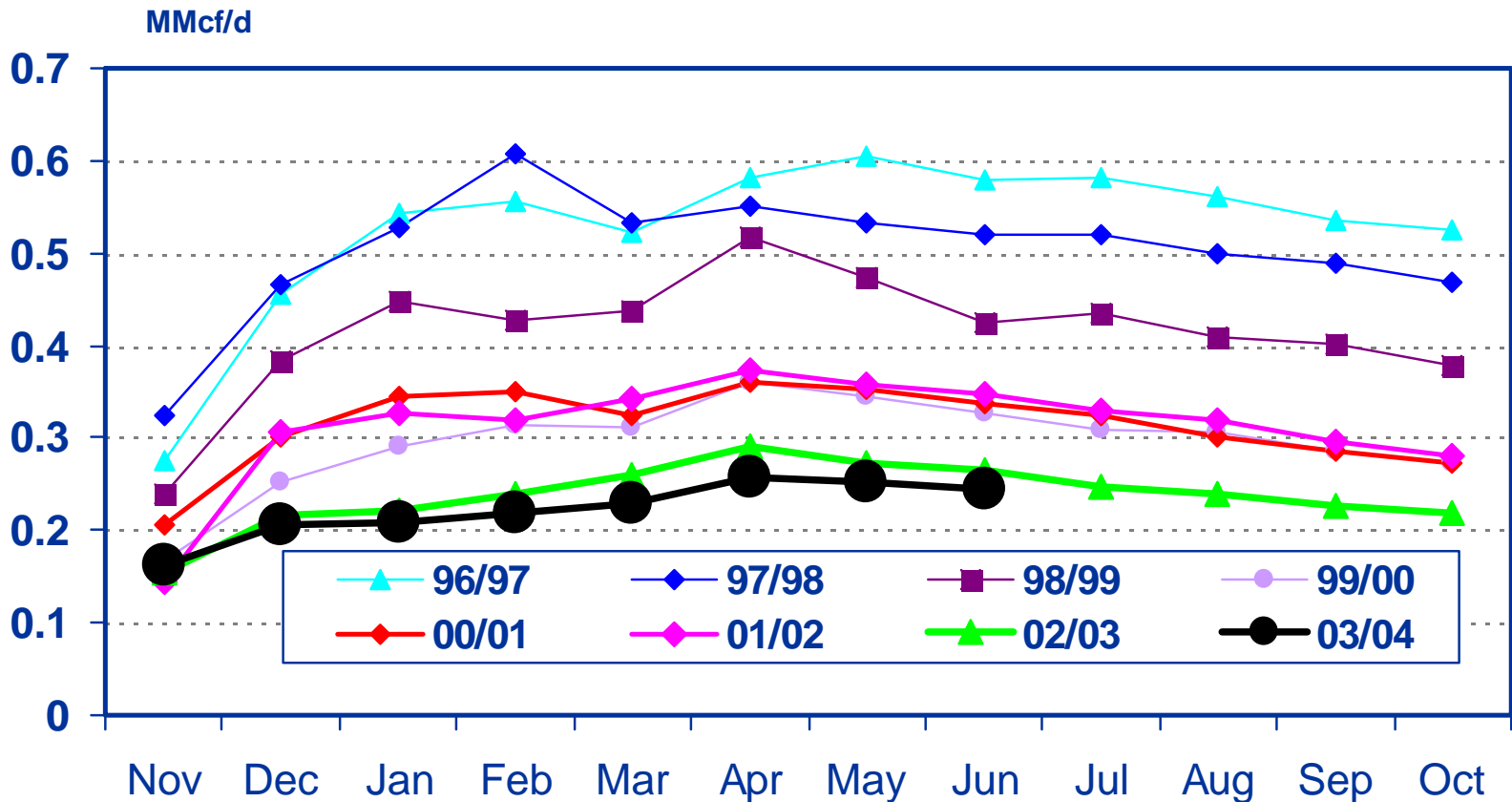
Cumulative Gas Wells Drilled By Province



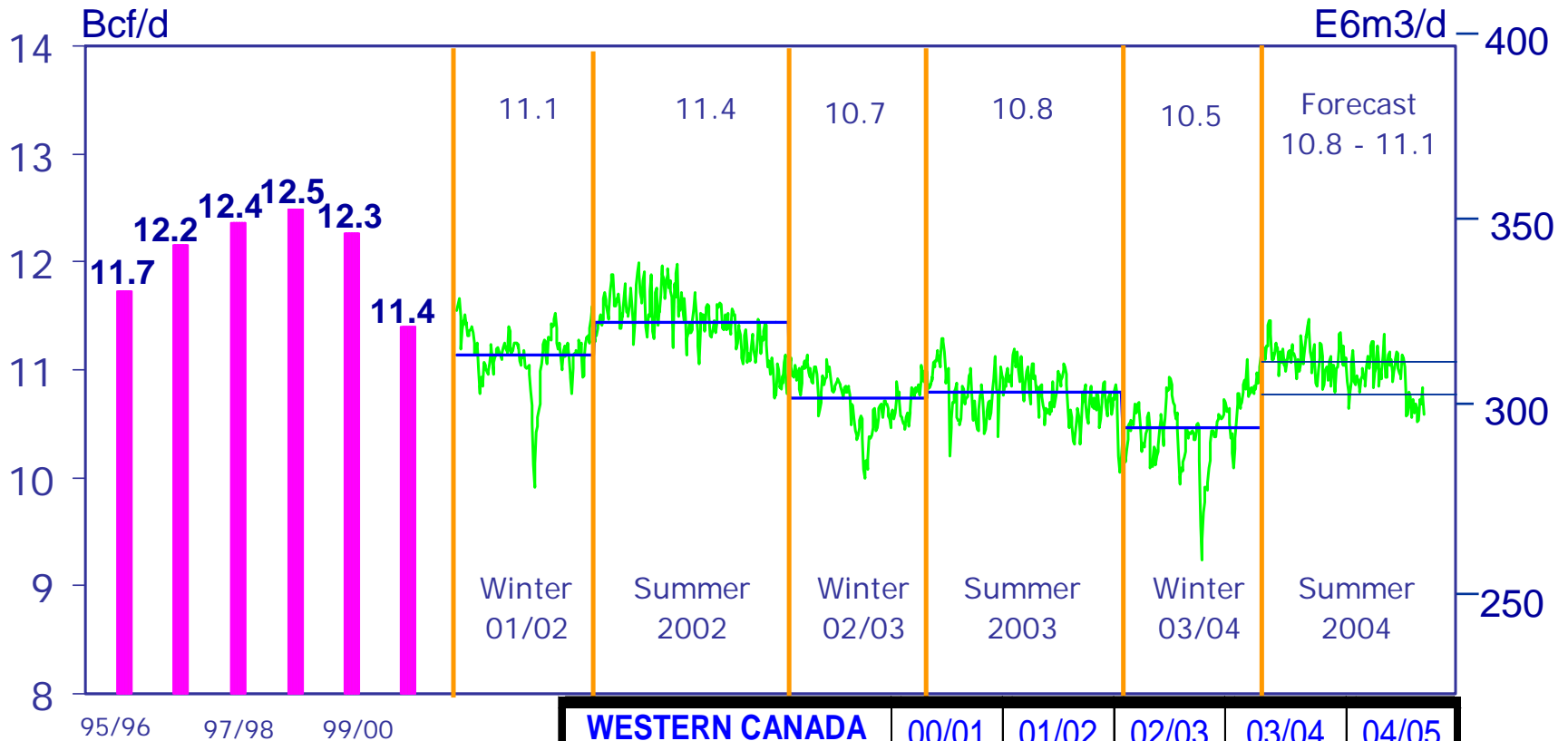
Alberta Gas Wells Drilled By Quadrant



WCSB Initial Well Productivity



Seasonal Flows on Alberta System

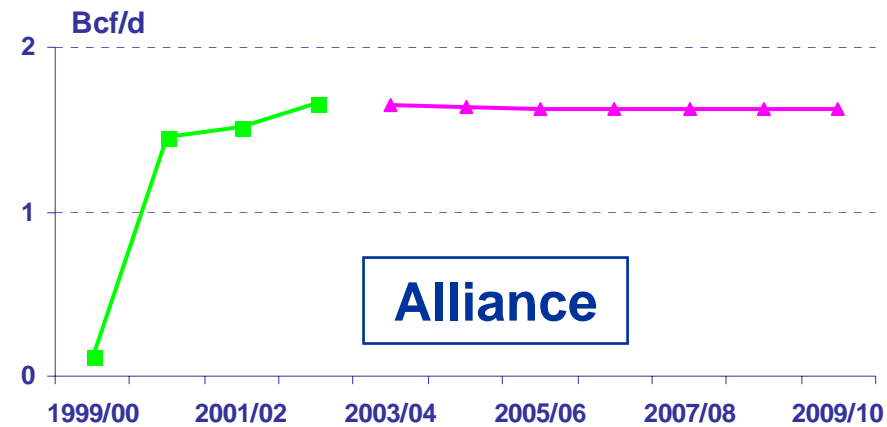
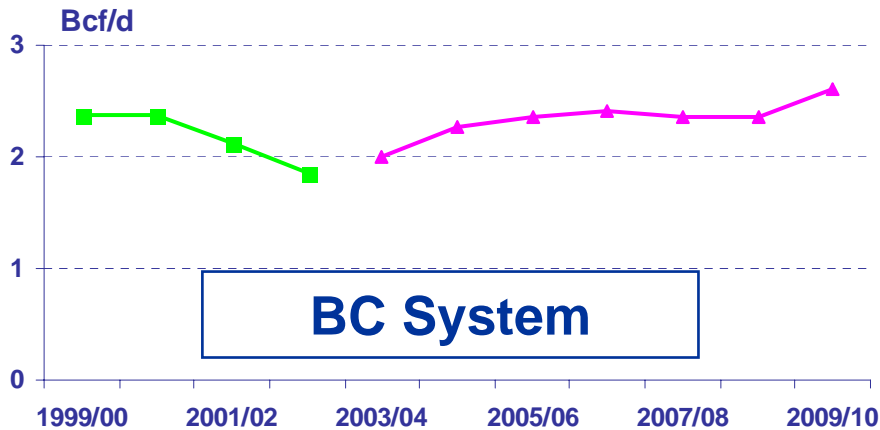
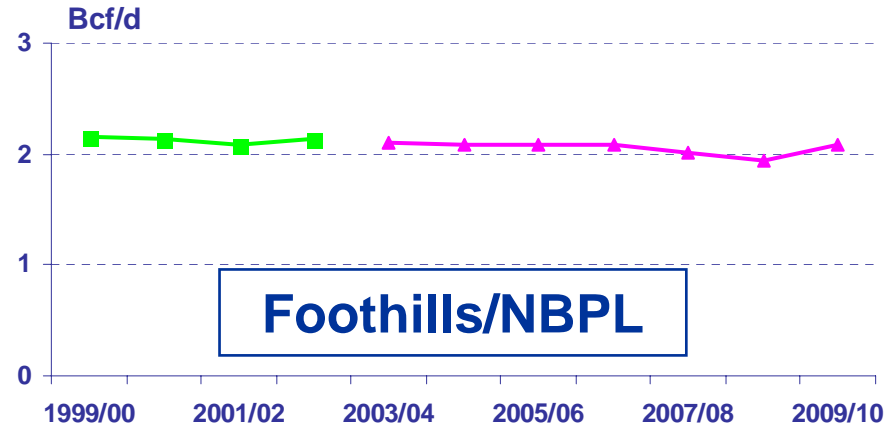
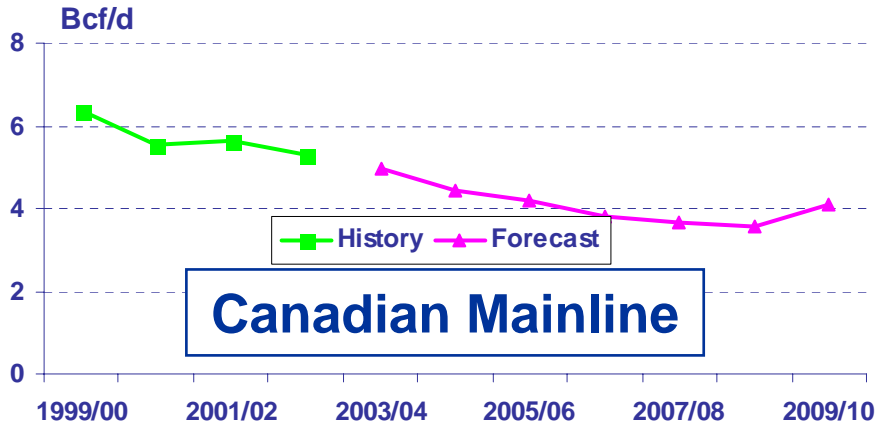


Excluding Storage
Data current to Sept 27, 2004

WESTERN CANADA	00/01	01/02	02/03	03/04	04/05
WCSB Supply (Bcf/d)	16.9	16.9	16.5	16.7	16.8
Growth (MMcf/d)	+500	0	-400	+200	+100



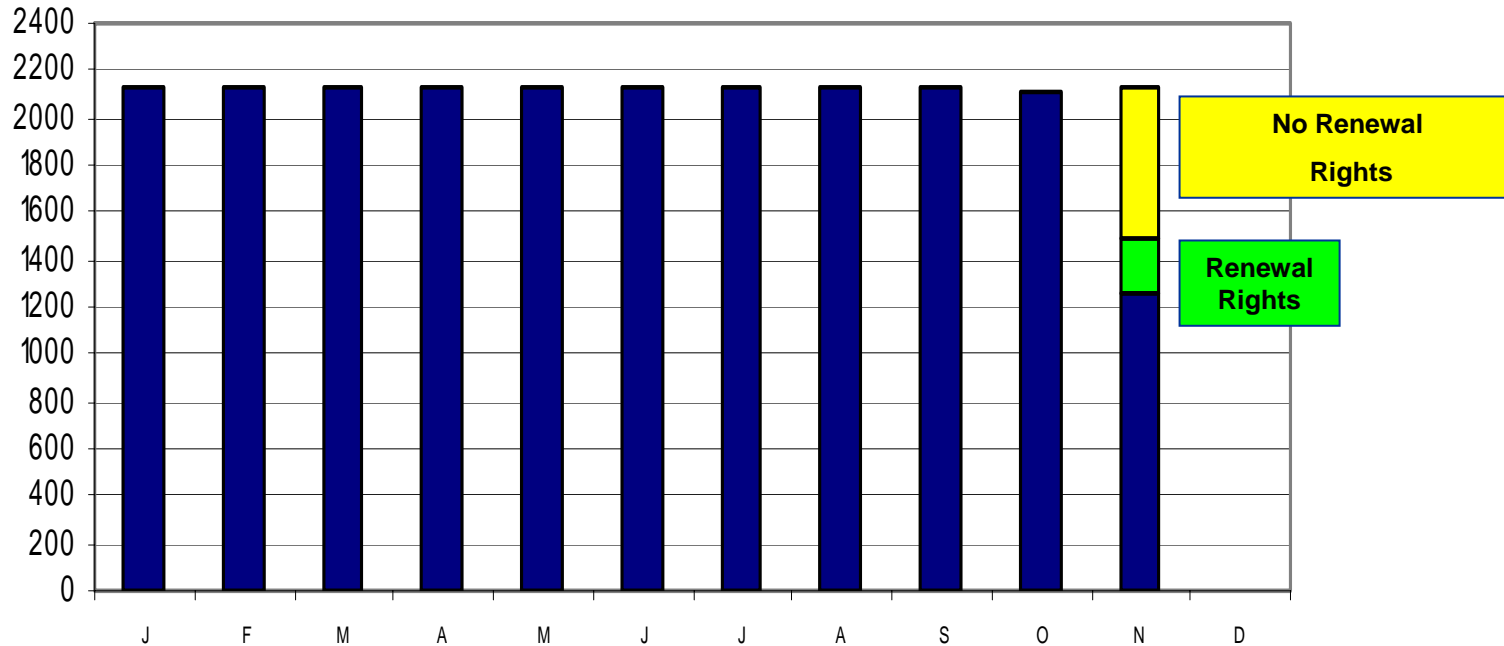
Flow at Alberta Export Borders



Foothills Zone 9 Contract Profile by Month



MMcf/d



2004

2004 Re-contracting To Date



- 645 MMcf/d of contracts expiring without renewal rights
- 238 MMcf/d of contracts expiring with renewal rights
 - 80MMcf/d of those contracts renewed
- Awarded one contract for 24 MMcf/d from the open seasons
- Contracted 81 MMcf/d after the last open season

Renewal Process and Open Season (Actual)



Foothills Available Capacity

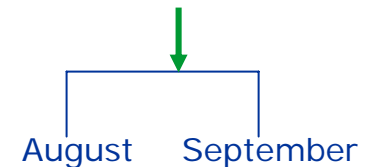
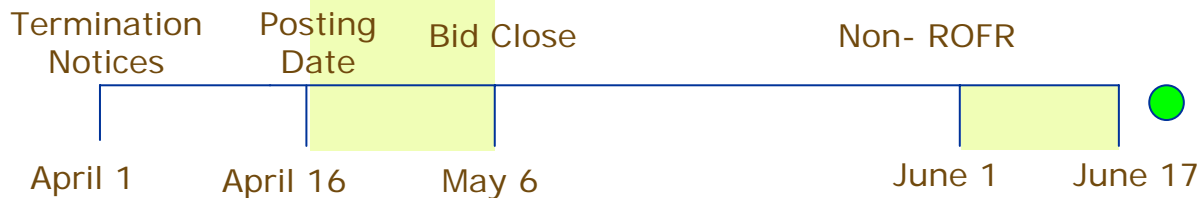


Foothills Capacity with ROFR Rights



Foothills and Northern Border got to FCFS contracting at the end of June. Foothills remains open to FCFS contracting, while Northern Border had some additional open seasons in August and September

Northern Border Timeline

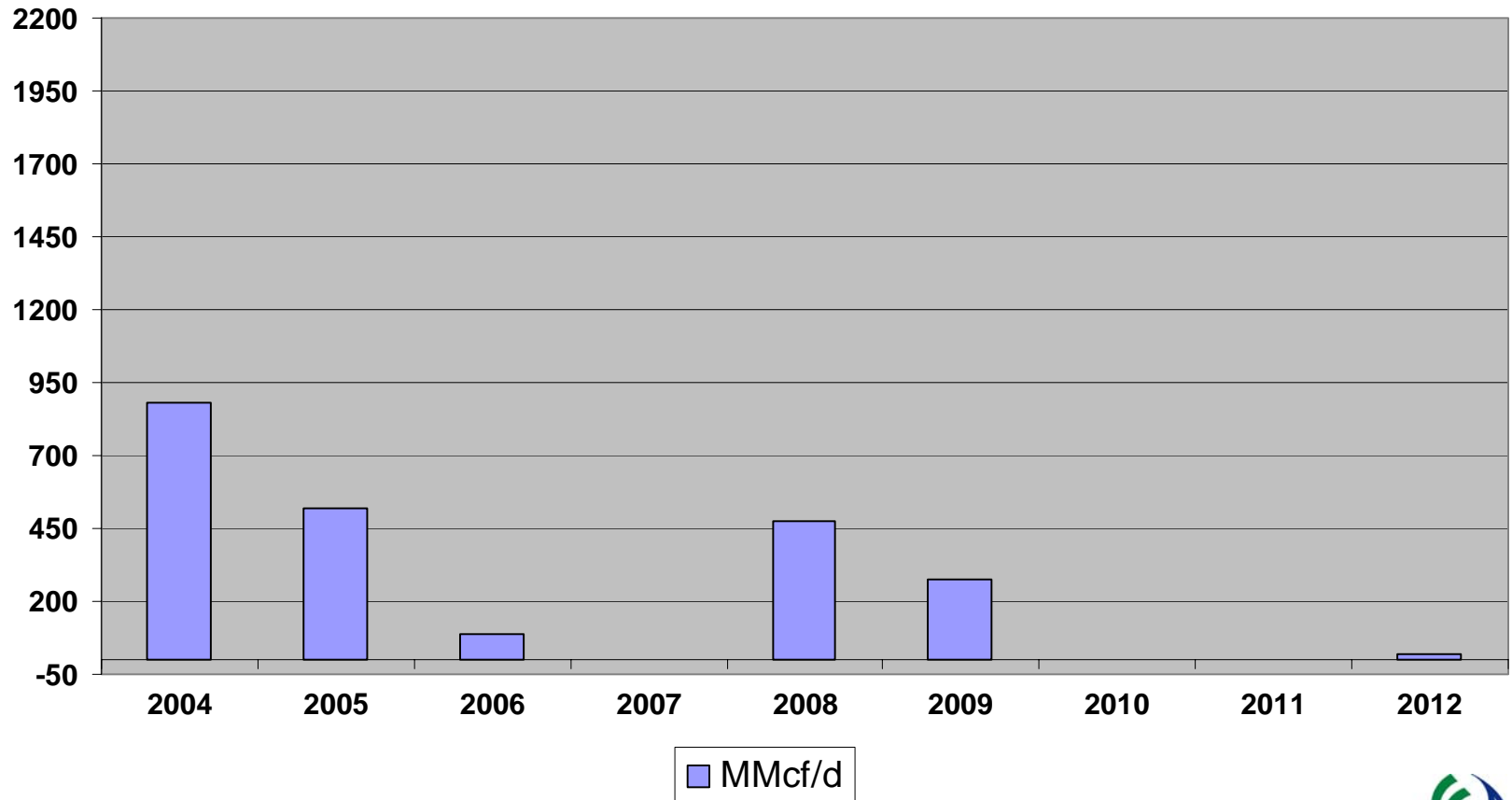


TransCanada

Foothills Expiry Profile



Foothills Expiry Profile

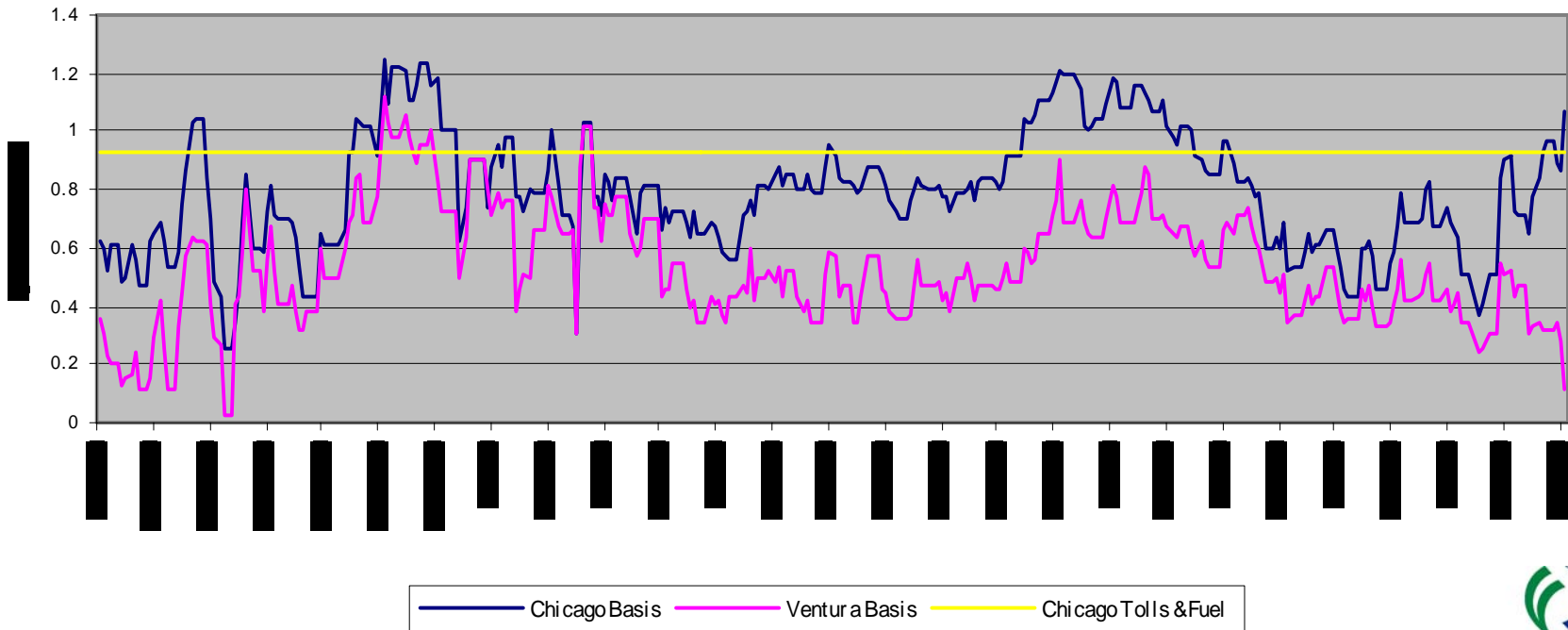


Market View



- Mid-west market (Chicago)
 - Anchor market for WCSB shippers
 - Path continues to have value over time

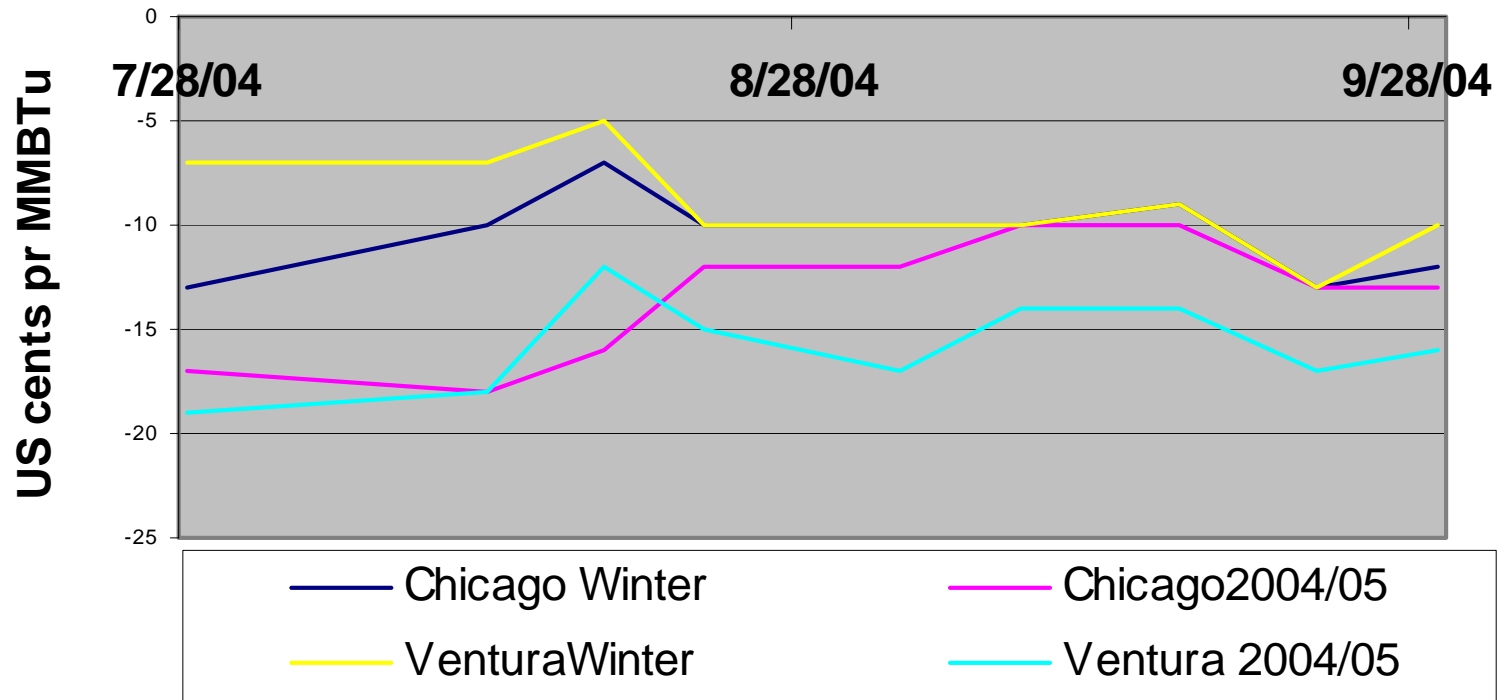
AECO Chicago/Ventura Daily Basis



Alberta to Chicago Transportation Values



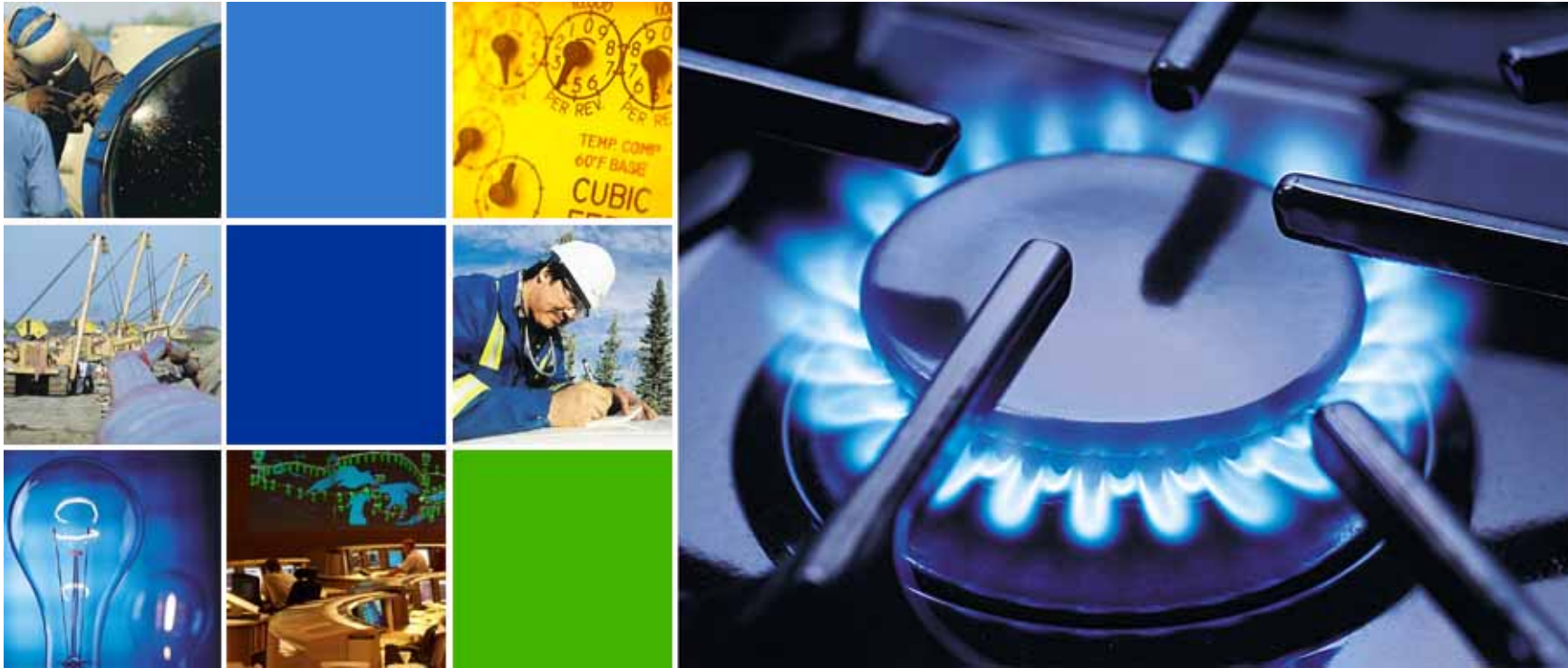
Chicago / Ventura T Values



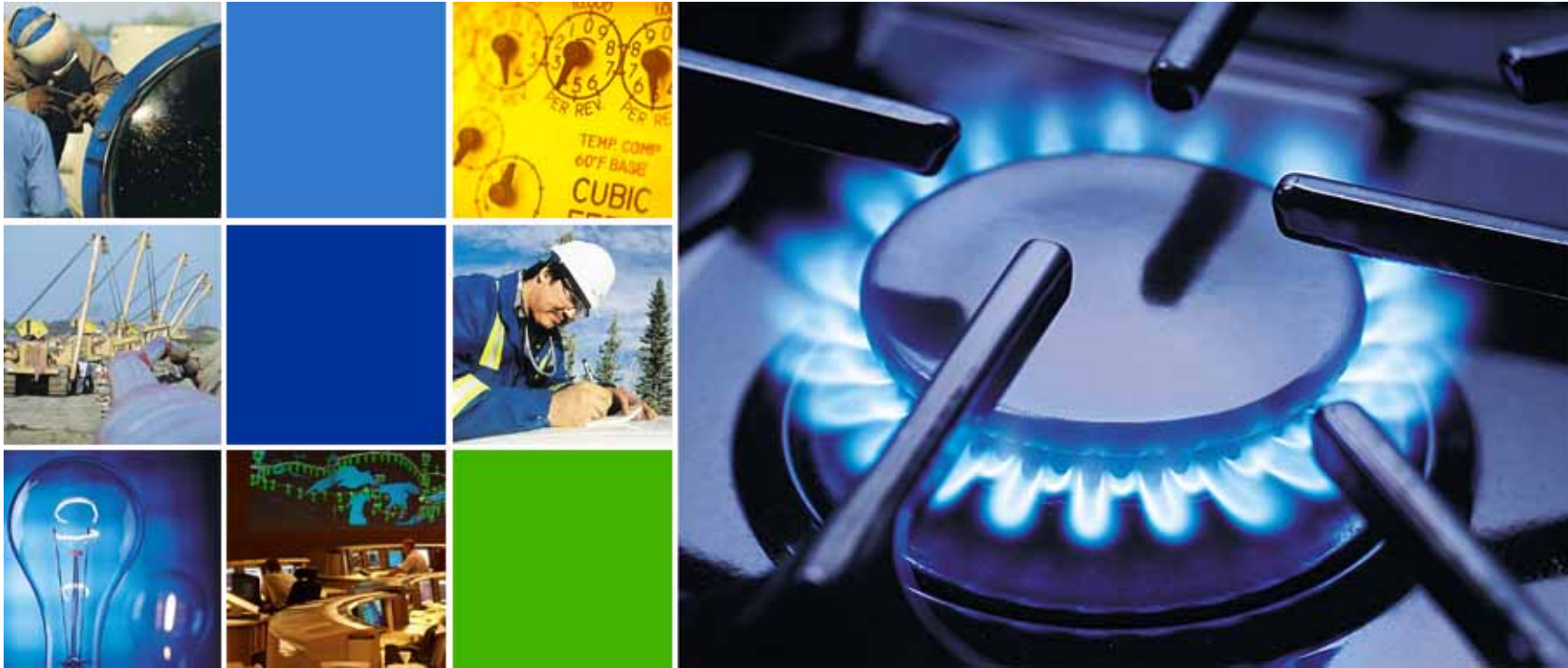
Closing Messages



- WCSB production has grown in 2004 (200 mmcf/d)
- TransCanada believes this path will continue with high utilization
- TransCanada is looking for ways to provide some more flexible contracting opportunities for Foothills Saskatchewan (Zone 9)



Tolls & Tariff Amendment Application and 2005 Rates Filing



Tolls and Tariff Amendment Application

Amendment Application - Objectives



- One filing per year for rates effective January 1st
 - File by December 1st each year
- Calculate a fixed monthly demand rate
 - Variances to be trued-up in following year
 - Forecasted IT revenues to be included in determining rates
- Single IT rate for Zone 9 @ 110% of daily firm rate
- Overrun rate for Zones 6, 7, & 8 @ 110% of daily firm rate
- No billing abatement for failure to accept gas
- SGS-1 charge changed to be based on T-1 rate
- Elimination of M-2 Service
 - Retain CIAC requirement, but for **all** costs

Amendment Application - Transition Items



- Extend current IT rates for November and December 2004
- Continue to track individual Shipper accounts for remainder of 2004
 - “clear” account balances at year end via lump sum charge/credit by March 31, 2005 to individual shippers
 - no previous adjustments to roll forward to 2005

Amendment Application Proposal - Rationale

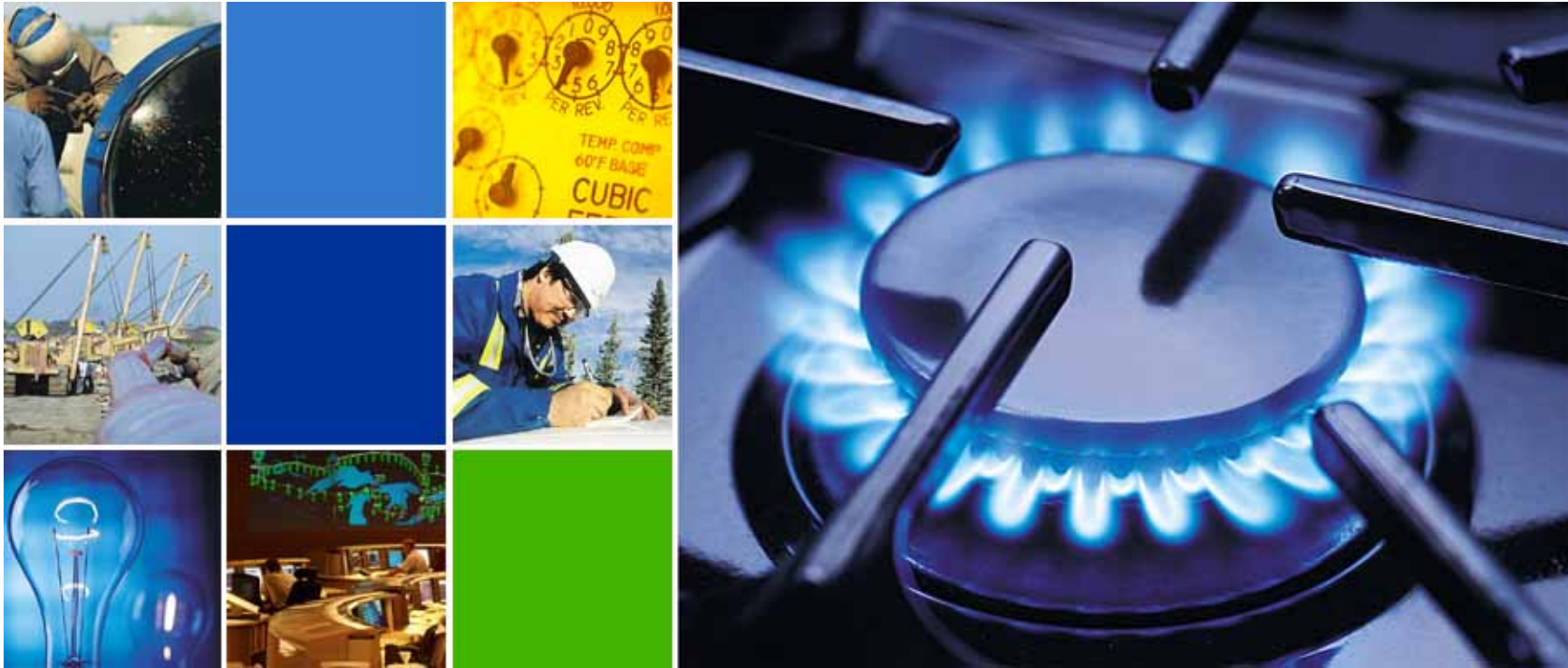


- Increase rate stability
- Appropriate cost allocation between firm, interruptible and overrun services
- Appropriate price signals (IT in relation to firm service)
- Simplification and alignment of processes

Amendment Application - Timing



- Filed application for proposed changes with Tariff amendments on September 30th
- Seek Board decision prior to end of October
- Review expected 2005 rates with Customers in October and November
 - this is the first review
- File 2005 rates and associated schedules on or before December 1, 2004



2005 Proposed Rates

2005 Forecast Key Notes



- Foothills System will maintain its current
 - debt to equity ratio (70/30), adjusted for IROR
 - return on equity based on NEB formula (9.61% changed from 9.56 due to forecasted increase in long term bond yields); 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



Revenue Requirement

- **2005 - \$57.3 million;** (2004 - \$62.8 million)
 - decrease of \$5.1 million due to decrease in return on rate base. This decrease is due to lower interest rates resulting from re-financing Foothills debt

Includes O&M budget

- **2005 \$12.1 million** (2004 \$12.1 million)

Results in a T-1 Rate

- **2005 7.2¢/mcf** (2004 7.8¢/mcf)

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



	2004	2004*	
Costs	Budget	Forecast	Difference
O&M	13,233	12,078	(1,155)
Return & Dep.	44,019	44,158	139
Taxes (Income & Other)	3,327	3,839	512
Special Charge	792	787	(5)
G&A Settlement	<u>(182)</u>	<u>(164)</u>	<u>18</u>
Savings			
Total**	61,189	60,698	(491)
Revenue			
Interruptible	<u>(0.0)</u>	<u>(4,500)</u>	<u>(4,500)</u>
T-1 Rev. Rqmt**	61,189	56,198	(4,991)

* Forecast includes 8 months of actuals

** Totals may not add due to rounding

2005 Forecasted Costs and Revenue (\$000)



Costs	2004* Forecast	2005 Budget	Difference
O&M	12,078	12,078	0
Return & Dep.	44,158	39,090	(5,068)
Taxes (Income & Other)	3,839	3,851	12
Special Charge	787	539	(248)
G&A Settlement Savings	(164)	(328)	(164)
Fuel Tax	<u>2,109</u>	<u>2,043</u>	<u>(66)</u>
Total**	62,806	57,273	(5,533)
Revenue			
IT & SGS-1	(4,500)	(24,167)	(19,667)
T-1 Rev. Rqmt**	58,306	33,106	(25,200)

* Forecast includes 8 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	2,125	2,107	(18)
T-1 Contract Demand	2,021	1,274	(747)
Throughput Forecasted to flow as T-1	1,973	1,268	(705)
Forecasted Interruptible Volumes	152	839	687

*Forecast includes 8 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	7.2	(0.6)
IT Rate	8.8*	7.9	(0.9)

*Tier 1 Rate

Rate Sensitivity



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

- \$1 million dollar increase (decrease) in revenue requirement results in approx a 0.1¢/mcf increase (decrease) in the T-1 full haul rate
- 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

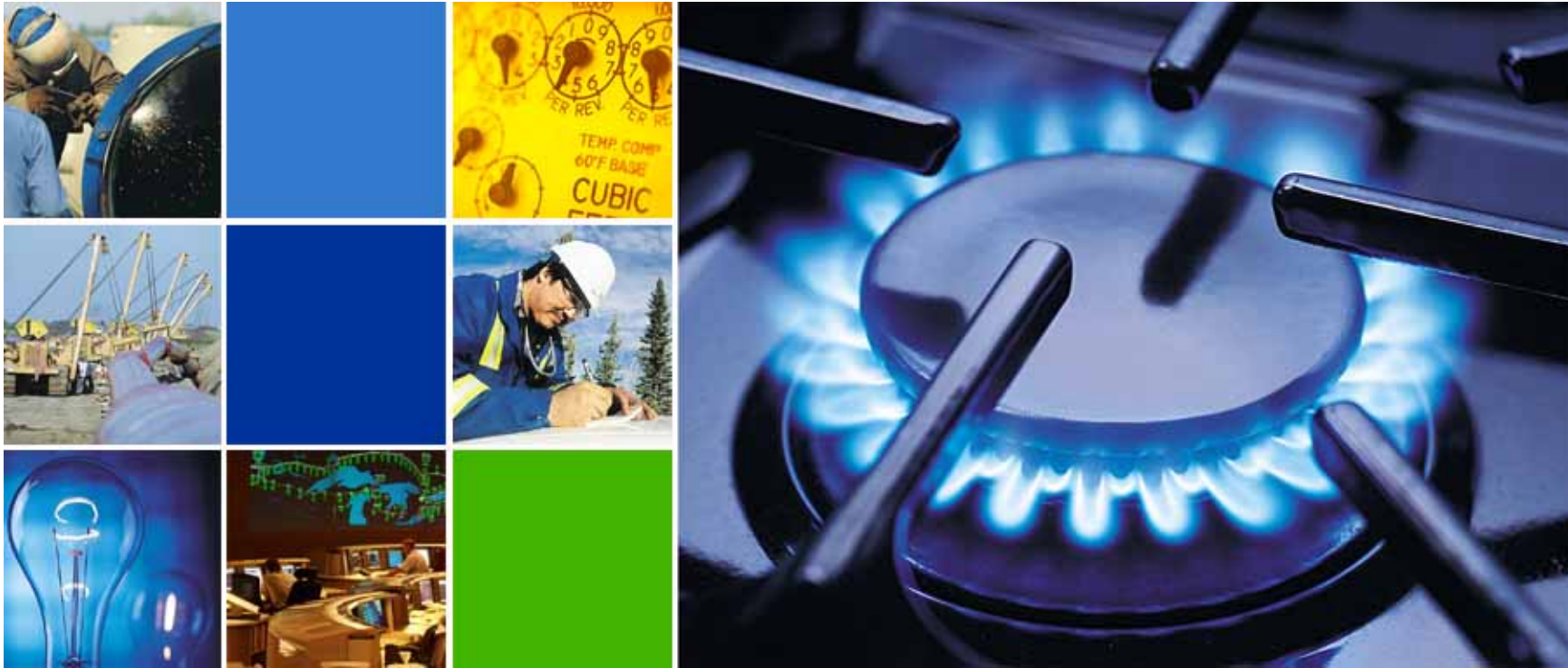
- \$2 million increase (decrease) in revenue requirement and a 100 mmcf/d decrease (increase) in throughput results in an approx 10% increase (decrease) to rates

2005 Proposed Rates - Contacts



- Norm Bowman
 - Phone: 403.920.7186
 - Email: norm_bowman@transcanada.com

- Phil Wilson
 - Phone: 403.920.7185
 - Email: phil_wilson@transcanada.com



Review of Proposed Tariff Amendments

Summary of Major Tariff Changes



General

- Formatting
 - similar to BC and Alberta Tariffs
 - future revisions applicable to entire sections

Table of Effective Rates

- Added table of effective rates

M-2 Service

- Deleted M-2 Rate Schedule and Service Agreement



Cost of Service

- Company's Administrative Charge
 - Deleted subsection 8.3 of Rate Schedule T-1, moved to subsection 5.7.1 of the GT&C's
- Special Charge
 - Deleted subsection 8.4, moved to subsection 5.7.2 of the GT&C's
- Computation of Zone Cost of Service and Adjustments
 - Deleted subsections 8.5 and 8.6 of Rate Schedule T-1, moved to subsections 5.7.3 and 5.7.4 of the GT&C's
- Shipper's Share of Cost of Service
 - Deleted subsection 8.7 of Rate Schedule T-1



Rate Schedule T-1

- Changes to reflect new monthly demand rate calculation
 - Section 8 [Charge for Service] – T-1 Rate
 - Subsection 8.1 [Shipper's Obligation to Pay]
 - Subsection 8.2 [Monthly Demand Charge]
- Other Changes to Rate Schedule T-1
 - Deleted Section 9.6 [Billing Adjustment] – related to failure to accept gas
 - Section 10 [Effective Date] was deleted and moved to the GT&C's
 - Section 11 [Shipper's Zone Allocable Share] was deleted



Rate Schedule OT-1 – Overrun Service

- Changes to reflect new monthly commodity rate calculation
 - Section 3 [Charge for Service] – OT-1 Rate
 - Subsection 3.1 [Shipper's Obligation to Pay]
 - Subsection 3.2 [Monthly Commodity Charge]

Rate Schedule IT – Interruptible Service

- Changes to reflect new monthly commodity rate calculation
 - Section 5 [Charge for Service] – IT Rate
 - Subsection 5.1 [Shipper's Obligation to Pay]
 - Subsection 5.2 [Monthly Commodity Charge]



Rate Schedule **SGS-1** – Small General Service

- Changes to reflect new monthly commodity rate calculation
 - Section 7 [Charge for Service] – T-1 Rate
 - Subsection 7.1 [Shipper's Obligation to Pay]
 - Subsection 7.2 [Monthly Commodity Charge]
 - volume x T-1 Rate x 130 km (1/2 total distance)



General Terms and Conditions (“GT&C’s”)

- Section 1 - Definitions
 - Added, deleted and amended as required
- Section 5 – Billing and Payment
 - Subsections 5.1, 5.2 and 5.6 were amended to reflect the new rate methodology
 - Deleted 5.7 [Monthly Charge] and replaced with new subsection 5.7 [Zone Cost of Service]
 - 5.7.1 [Company’s Administrative Charge]
 - 5.7.2 [Special Charge – Phase II Preliminary Expenditures]
 - 5.7.3 [Computation of Zone Cost of Service]
 - 5.7.4 [Adjustments to Zone Cost of Service]

Major Tariff Changes - cont.



- **Other**

- Changes were also made to the following subsections of the GT&C's to reflect the new rate methodology
 - 5.8 [Creditworthiness]
 - 6.5 [Interruptions or Reductions in Services]
 - 8.6 [Provision of Line PackGas for Zone 8]
 - 16 [Expansions and Reductions in Service]

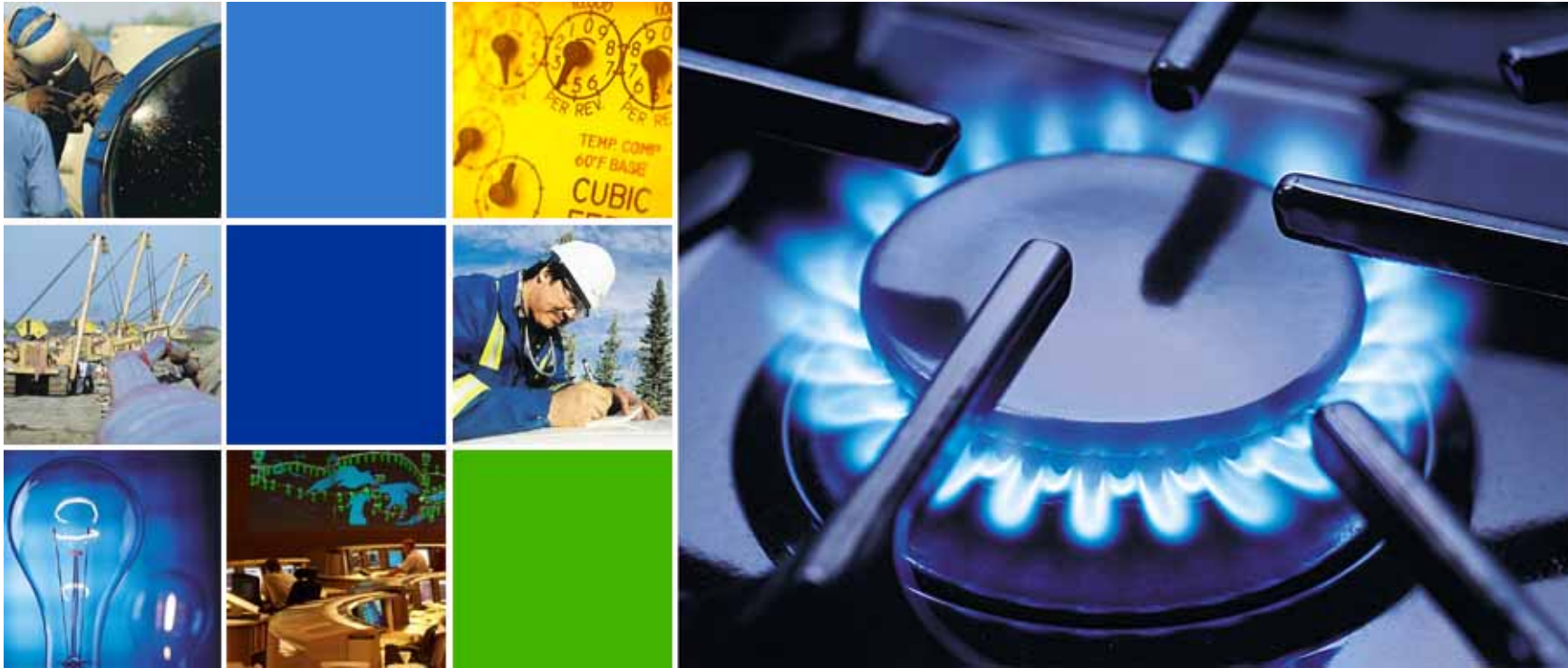
Major Tariff Changes - cont.



Pro Forma Service Agreements

- Minor amendments required
 - T-1, Firm Service
 - SGS-1, Small General Service
 - IT, Interruptible Service
- For a complete list of changes made to the Tariff, please refer to the Foothills web site

http://www.transcanada.com/Foothills/regulatory/reg_filings/index.html



Foothills Fuel Recovery Process

Foothills Fuel Issues – Current Process



Post forecast monthly fuel rate

Direct allocation methodology for fuel variance recovery

- Creates after-the-fact cost uncertainty for Shippers

Inventory repayment negotiations with each Shipper

- Unclear parameters
- Impact to Shipper if recovery period is very short
- Impact on linepack if recovery period is long

No defined process for managing linepack within the month if fuel variances are large

Foothills Proposal



- Continue to post forecast monthly fuel rate
- Recover variances via posted fuel ratio in subsequent period
- Buy/sell gas to manage linepack within the month only if fuel variances are large
 - Note that gas has been bought/sold for other operational reasons in the past
 - Alternative would be to change fuel rate within the month

Foothills Proposal - Benefits



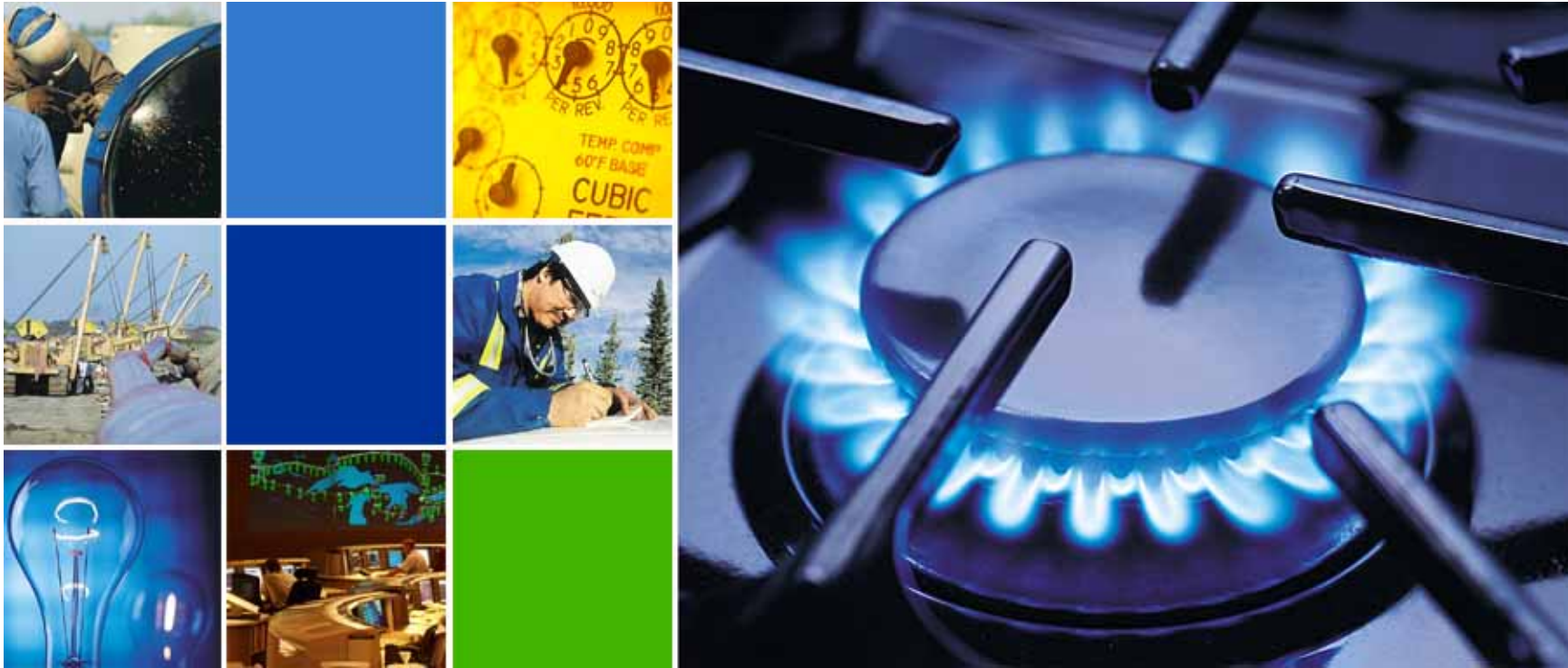
Reasons

- Administratively simple approach
 - eliminates individual accounts & negotiations
- Aligned with Mainline, BC and NBPL processes
- Cost certainty for Shippers
 - no adjustments for gas that has already flowed
- No fuel rate changes required mid-month with the ability to buy/sell gas
- Rate is fixed for the entire month

Foothills Proposal - Timing



- Plan to commence new process November 1, 2004
- Need to clear existing fuel imbalances
- If you have questions/concerns, contact:
Debbie Deschamps
Phone: 403.920.2615
Email: debbie_deschamps@transcanada.com



2005 Service & Tariff Amendments

Potential 2005 Tariff Proposals



- Credit – December 1, 2004 filing
- Short term firm transportation
- Subsidiary Tariffs
 - Amend to reflect rate design / process changes
 - Simplify
- Energy conversion

Why a Credit Review?



- Industry financial issues
- Litigations
- NEB Audit
- NGTL, Mainline and BC Customer consultations completed
 - Need for greater clarity and transparency
 - Some provisions must be updated
 - Differences between TransCanada pipes

Foothills Credit Issues



Issue	Current Provisions	Proposal
1.Assurance Provisions for Firm Service	<ul style="list-style-type: none"> - Assurances in an amount that provides a sufficient level of security 	<ul style="list-style-type: none"> - Max 70 days coverage for existing capacity - Max 12 months coverage for expansions, with step down -Maximum also applies to all assignments
2.Assurance Provisions for Interruptible Service	<ul style="list-style-type: none"> - Assurances in an amount that provides a sufficient level of security 	<ul style="list-style-type: none"> - Max 70 days of coverage based on contract maximum entitlement
3.Suspend, Terminate & Withhold Provisions	<ul style="list-style-type: none"> - Suspension permitted 10 days after non-payment and 30 days after non-provision of assurances - No termination rights for non-provision of assurances - Termination permitted following suspension for non-payment - Service may be withheld pending the receipt of requested assurances 	<ul style="list-style-type: none"> - TransCanada may suspend service with four Banking Days notice upon non-payment or non-provision of assurances - TransCanada may terminate following suspension with four Banking Days notice - TransCanada may withhold service until assurances are provided
4.Criteria for Creditworthiness	<ul style="list-style-type: none"> - No provisions for the determination of Customer creditworthiness 	<ul style="list-style-type: none"> -The creditworthiness of all Customers is assessed by TransCanada -TransCanada will provide an explanation of creditworthiness decisions upon Customer request - Clearly defined information which may be used for determining creditworthiness



Next Steps



Foothills Pipe Lines Credit Requirement Review

Foothills Customer Feedback Session

- Wednesday, October 20, 2004
- Room 217 (+15 Level), TransCanada Tower, Calgary
- Meeting Time TBA (teleconference will be available)

December 2004

- File Tariff changes with National Energy Board

January 2005

- Expected implementation

Contacts



Foothills Pipe Lines Credit Requirement Review

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- Email: david_haag@transcanada.com

Stella Morin - TransCanada Customer Service

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Short Term Firm Transportation



Considerations

- Available Capacity
 - Ambient / un-contracted capacity
 - Discretion in offering
- Term
- Open season/posting process
 - Timing
 - Capacity blocks
- Price
- Other

Short Term Firm Transportation - Proposal



Available Capacity

- Ambient and a portion of un-contracted capacity offered
- Late summer posting of capacity
- May be able to post winter ambient capacity earlier

Term

- Minimum one month
- Monthly increments

Short Term Firm Transportation - Proposal



Price

- Floor price @ 135% of T-1; biddable
- Awarding of capacity based on bid price and term

Other

- Priority same as firm
- Fuel same as firm / IT
- No renewal rights

2005 Tariff Proposals - Contact



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