



# Preliminary 2016 Rates and Abandonment Surcharge

Foothills Shipper Meeting

October 14, 2015

For Discussion Purposes with Foothills Shippers



# Agenda



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

# Cost of Capital



## For 2015 rates,

- Foothills cost of capital was established at 10.1% ROE on 40% deemed equity – the same parameters as for the NGTL System

## For 2016 rates,

- Foothills has assumed the same cost of capital parameters used to calculate NGTL 2016 interim rates (10.1% ROE on 40% deemed equity)

# Overview of Zone 9 (SK)



## The Revenue Requirement:

- 2016 - \$46.4 Million (2015 Rate Filing: \$48.8 Million)
- After adjustments for (over)/under:  
2016 - \$42.3 Million (2015 Rate Filing: \$54.6 Million)

## Total Throughput:

- 2016 – 1,678 TJ/d (2015 Rate Filing: 1,602 TJ/d )

## Results in an FT Rate of:

- 2016 – 7.3 ¢/GJ (2015 Rate: 9.4 ¢/GJ)

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



	2015 Rate Filing	2016 Rate Filing	Difference
<b>Cost</b>			
O&M	8,374	6,425	(1,949)
Return & Depr	28,429	28,163	(266)
Taxes (income + Other)	11,932	11,808	(124)
Special Charge	102	0	(102)
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	48,837	46,396	(2,441)
<b>Adjustments</b>			
Previous (Over) Under	5,734	(4,118)	(9,852)
<b>Total</b>	<hr/>	<hr/>	<hr/>
	54,571	42,278	(12,293)
<b>Other Revenue</b>			
STFT	(36,438)	(26,290)	10,148
IT	(7,163)	(5,417)	1,746
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<b>Firm Rev Rqmt<sup>1</sup></b>	10,967	10,572	(395)

1. Totals may not add due to rounding

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



	2015	2016	
	Rate Filing	Rate Filing	Difference
<b>Firm Contract Demand<sup>1</sup></b>	305	509	204
<b>Throughput to Services:</b>			
Firm Volumes	256	498	242
STFT Volumes	1133	952	(181)
Interruptible Volumes	213	228	15
<b>Total<sup>2</sup></b>	1602	1678	76

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 0.17¢/GJ increase (decrease) in the FT rate**

**A 100 TJ/d increase (decrease) in throughput results in approximately a 0.44¢ /GJ decrease (increase) in the FT rate**

# Overview of Zone 8 (BC)



## The Revenue Requirement:

- 2016 - \$66.9 Million (2015 Rate Filing: \$63.7 Million)
- After adjustments for (over)/under:  
2016 - \$63.1 Million (2015 Rate Filing: \$57.7 Million)

## Total Firm Contract:

- 2016 – 2,039 TJ/d (2015 Rate Filing: 1,822 TJ/d)

## Total Throughput:

- 2016 – 2,057 TJ/d (2015 Rate Filing: 1,910 TJ/d)

## Results in an FT Rate of:

- 2016 – 8.1 ¢/GJ (2015 Rate: 8.2 ¢/GJ)



## Zone 8 – Costs and Revenue (\$000)



	2015 Rate Filing	2016 Rate Filing	Difference
<b>Cost</b>			
O&M	13,995	14,008	13
Return & Depr	29,472	29,235	(237)
Taxes (income + Other)	19,737	23,683	3,946
Special Charge	540	0	(540)
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	63,744	66,926	3,182
<b>Adjustments</b>			
Previous (Over) Under	(6,035)	(3,866)	2,169
<b>Total</b>	<hr/>	<hr/>	<hr/>
	57,709	63,060	5,351
<b>Other Revenue</b>			
STFT	(2,422)	(792)	1,630
IT	(883)	(1,619)	(736)
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<b>Firm Rev Rqmt<sup>1</sup></b>	54,404	60,650	6,246

1. Totals may not add due to rounding

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



	2015	2016	
	Rate Filing	Rate Filing	Difference
<b>Firm Contract Demand<sup>1</sup></b>	1,822	2,039	217
<b>Throughput to Services:</b>			
Firm Volumes	1,808	1,981	173
STFT Volumes	76	27	(49)
Interruptible Volumes	25	50	24
<b>Total<sup>2</sup></b>	1,910	2,057	147

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 0.13¢/GJ increase (decrease) in the average FT rate**

**A 100 TJ/d increase (decrease) in contract level results in approximately a 0.36¢ 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
2013	\$200k	\$27k	\$227k
2014	\$173k	\$18k	\$191k
2015 (Jan-Aug)	\$90k	\$8k	\$98k

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

# Abandonment Surcharge



## Based on updated forecast of 2016 Billing Determinants

- Applicable to all Foothills Zones

## 2016 Abandonment Collection

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

## 2015 Abandonment Collection (For Comparison)

- Daily Abandonment Surcharge of 0.36 ¢/GJ in 2015
- Monthly Abandonment Surcharge of 11.00 ¢/GJ in 2015

# Abandonment Surcharge



- Surcharge calculated from total Foothills energy billing determinants

<b>Alta</b>	<b>Zone 6</b>	<b>774,949,750 GJ/yr</b>	
<b>Alta</b>	<b>Zone 7</b>	<b>380,010,625 GJ/yr</b>	
<b>BC</b>	<b>Zone 8</b>	<b>772,023,164 GJ/yr</b>	
<b>Sask</b>	<b>Zone 9</b>	<b>627,745,934 GJ/yr</b>	
<b>subtotal</b>		<b>2,554,729,473 GJ/yr</b>	<b>0.3445 ¢ per GJ</b>

# Filing Timeline



- In the event of changes to the 2016 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 2016 effective rates and 2016 abandonment surcharges by the end of October

# 2016 Preliminary Rates - Contacts



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