

Foothills Collaborative Shipper Meeting

November 14, 2007

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Agenda

- Open Season Bid Deposit
- Foothills BC Maintenance
- Available Capacity
- 2008 Preliminary Rates

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Open Season Bid Deposit

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Open Season Bid Deposit



Current Process

- Prospective Shippers must submit a deposit of the lesser of 1 month of demand charges or \$10,000, with each Open Season bid for Expansion or Existing Capacity

Proposal

- Existing Shippers – invoice for defaulted bids
- New Shippers – deposit required with bid

Tariff Amendments

- Update Capacity Allocation Procedures
 - Section 4.1.2 Existing Capacity Bid Process
 - Section 4.3.2 Expansion Capacity Bid Process

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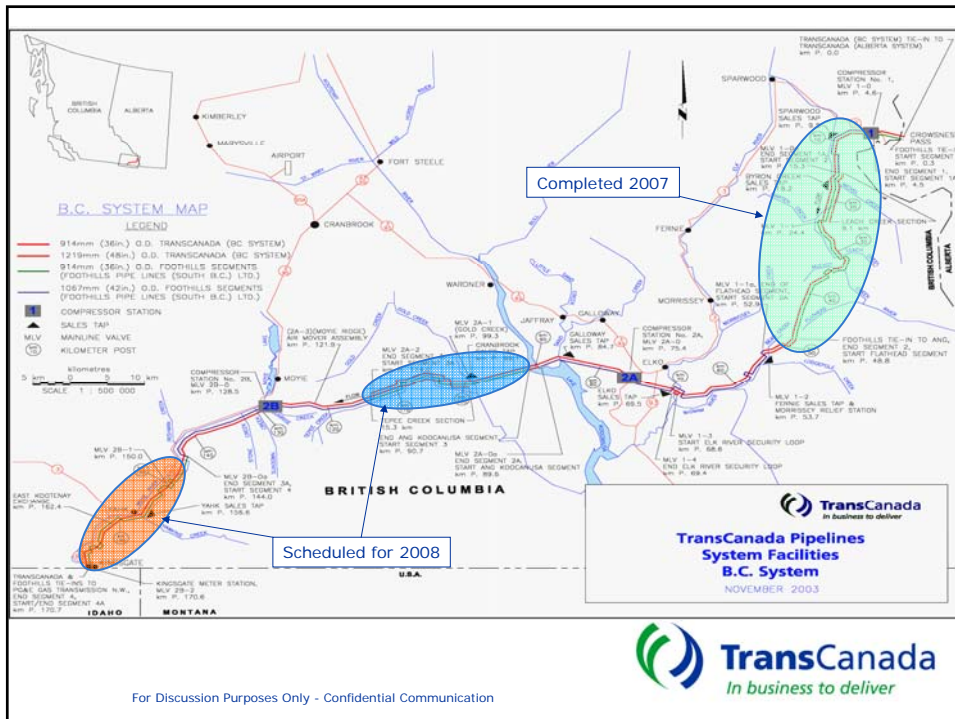
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Foothills BC Maintenance Update



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Foothills BC Maintenance Update



- Work on segments 1 and 2 completed
 - Returned to service September 2007
 - Update on forecast costs for 2007
 - O&M expense of \$7.2 million
 - Capital O&M of \$2.8 million
- Segments 3 and 4
 - Inspection runs (ILI) complete
 - ILI results expected January 2008
 - Maintenance to begin spring 2008
 - Forecast O&M expense of \$5.6 million for 2008

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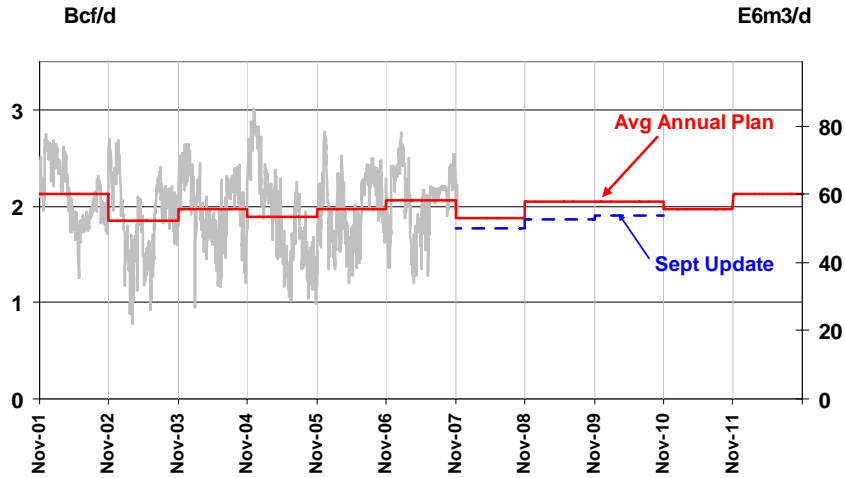


Available Capacity



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Alberta BC Border Throughput Forecast

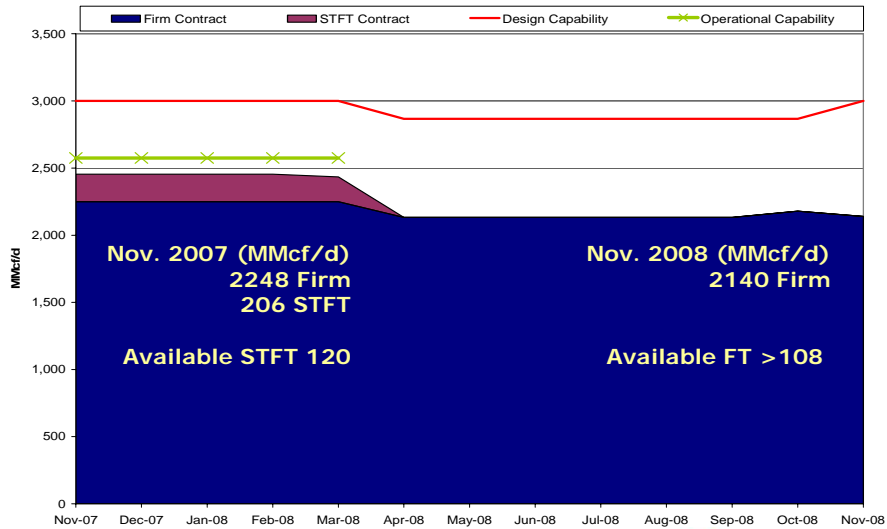


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Foothills BC Contracts vs. Capability

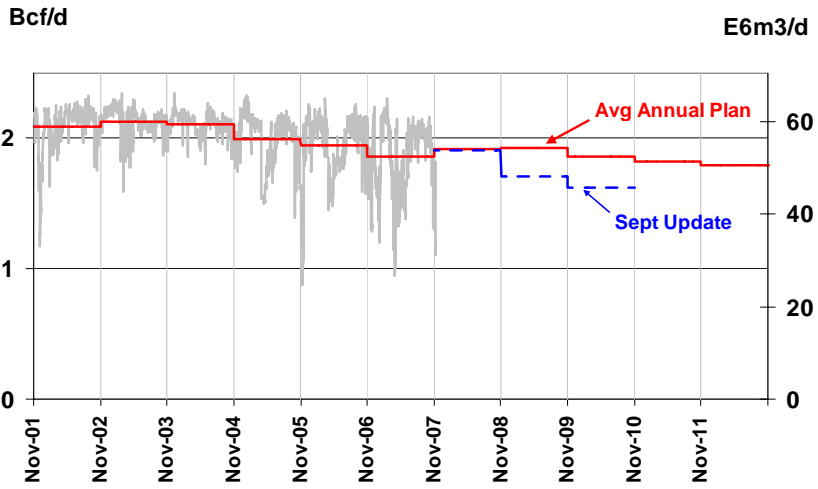


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McNeill Border Throughput Forecast

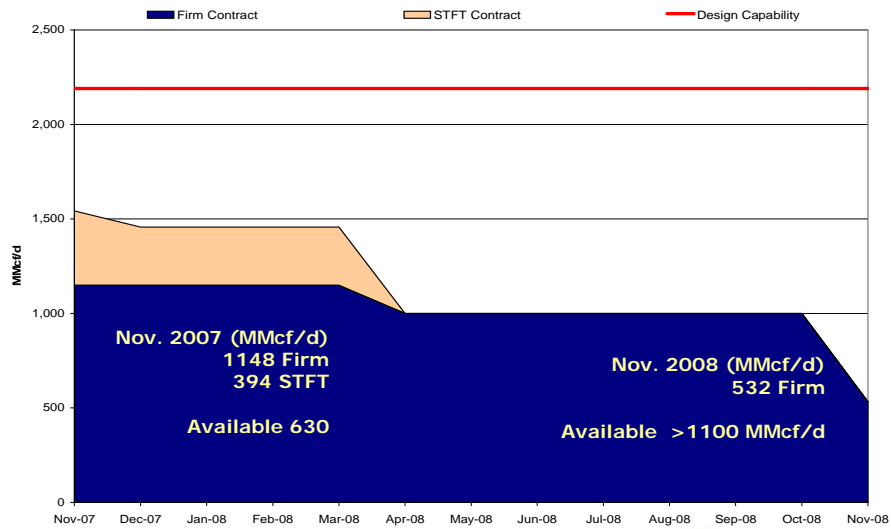


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Foothills Sask. Contracts vs. Capability



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Available Capacity Update



BC

- 120 MMcf/day posted for STFT service to March 2008
- Plan to hold an Existing Capacity Open Season in Q1 2008 for annual FT service

Saskatchewan

- 630 MMcf/day currently posted for either STFT or FT service
- Will evolve winter STFT open season in December for Q1 2008 requests

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2008 Preliminary Rates



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2008 Forecast Key Notes



- **The Foothills system will be filing for:**
 - 2008 Effective Rates for January 1, 2008
- **The Foothills system preliminary rates are based on:**
 - Return on equity based on NEB formula
 - (8.93% for preliminary 2008)
 - Composite depreciation rates of 3.01% for Zone 9 and 3.06% for Zone 8
- **For Zones 8 & 9, forecasted STFT and interruptible revenues have been included in the rate calculation**
- **Rates on the Foothills system reflect the G&A Settlement**

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Overview of Zone 9 2008 Revenue Requirement



The Revenue Requirement (\$millions):

- 2008 - \$59.8 (2007 Budget: \$65.0)

Total Throughput change:

- 2008 – 1,993 TJ/d (2007 Budget: 2,086 TJ/d)

Results in an FT Rate of (¢/GJ):

- 2008 – 7.9 ¢/GJ (2007 Budget: 8.3 ¢/GJ)

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Review of 2007 Zone 9 Costs and Revenue (\$'000)



	2007 BUDGET	2007 ¹ FORECAST	Difference	%
Cost				
O&M	15,684	12,884	(2,799)	
Return & Depr.	36,580	35,974	(606)	
Taxes (Income + Other)	14,251	14,302	51	
Special Charge	371	581	211	
	<u>66,886</u>	<u>63,742</u>	<u>(3,144)</u>	
Adjustments				
Previous (Over) Under	(1,453)	(1,453)	0	
G&A Settlement	(416)	(507)	(91)	
Total²	<u>65,017</u>	<u>61,782</u>	<u>(3,235)</u>	(5%)
Other Revenue				
STFT	(23,310)	(16,159)	7,151	
IT & SGS	(10,756)	(9,744)	1,012	
Firm Rev Rqmt²	<u>30,950</u>	<u>35,878</u>	<u>4,928</u>	16%

1. Based on most recent forecast available.
2. Totals may not add due to rounding.

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Zone 9 - 2008 Forecasted Costs and Revenue (\$'000)



	2007 ¹ FORECAST	2008 BUDGET	Difference	%
Cost				
O&M	12,884	11,027	(1,857)	
Return & Depr.	35,974	35,660	(314)	
Taxes (Income + Other)	14,302	12,773	(1,530)	
Special Charge	581	420	(161)	
	<u>63,742</u>	<u>59,880</u>	<u>(3,862)</u>	
Adjustments				
Previous (Over) / Under	(1,453)	508	1,961	
G&A Settlement	(507)	(604)	(97)	
Total²	<u>61,782</u>	<u>59,783</u>	<u>(1,998)</u>	(3%)
Other Revenue				
STFT	(16,159)	(17,208)	(1,049)	
IT & SGS	(9,744)	(9,040)	705	
Firm Rev Rqmt²	<u>35,878</u>	<u>33,536</u>	<u>(2,343)</u>	(7%)

1. Based on most recent forecast available.
2. Totals may not add due to rounding.

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Zone 9 - MDQ and Throughput (TJ/d)



	2007 BUDGET	2008 BUDGET	Difference	%
Firm Contract Demand¹	1,018	1,159	141	14%
Throughput to Services:				
Firm Volumes (98% LF)	998	1,118	120	12%
STFT Volumes (100% LF)	766	591	(176)	(23%)
Interruptible Volumes	322	284	(38)	(12%)
Total²	<u>2,086</u>	<u>1,993</u>	<u>(93)</u>	<u>(4%)</u>

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

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Zone 9 - Analysis of 2008 Proposed Rates



<u>Rate Model Input</u>	<u>Net Change (\$000)</u>	<u>Rate (\$/GJ)</u>	<u>Difference (%)</u>
2007 Firm Rev Rqmt	30,950	8.3	-
Impact :			
O&M	(4,657)	(1.2)	(15%)
Return & Depr.	(920)	(0.2)	(3%)
Taxes (Income + Other)	(1,479)	(0.4)	(5%)
Previous (Over) / Under	1,961	0.5	6%
Other Rev Rqmt	7,681	2.1	25%
Firm Contracts	<u>-</u>	<u>(1.1)</u>	<u>(13%)</u>
2008 Firm Rev Rqmt¹	33,536	7.9	(5%)

1. Totals may not add due to rounding.

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Zone 9 Rate Sensitivity – Rule of Thumb



- A \$1 million dollar increase (decrease) in revenue requirement results in approx. a 0.1¢/GJ increase (decrease) in the Firm Transportation rate
- A 100 TJ/d increase (decrease) in IT throughput results in approx. a 0.4¢ /GJ decrease (increase) in the Firm Transportation rate
- A \$2 million increase (decrease) in revenue requirement and a 100 TJ/d decrease (increase) in throughput results in an approx. 10% increase (decrease) to rates

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Overview of Zone 8 2008 Revenue Requirement



The Revenue Requirement (\$millions):

- 2008 - \$83.1 (2007 Budget: \$69.9)

Total Firm Contract change:

- 2008 – 2,320 TJ/d (2007 Budget: 2,516 TJ/d)

Results in an FT Rate of (¢/GJ):

- 2008 – 9.3 ¢/GJ (2007 Budget: 7.5 ¢/GJ)

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Review of 2007 Zone 8 – Costs and Revenue (\$000)



	2007 Budget	2007 ¹ Forecast	Difference	%
Costs				
O&M	21,012	27,903	6,892	
Return & Depr.	36,905	35,922	(982)	
Taxes (Income + Other)	12,142	12,995	853	
Special Charge	601	295	(306)	
	<u>70,659</u>	<u>77,115</u>	6,456	
Adjustments				
Previous (Over) Under	(362)	(362)	(0)	
G&A Settlement	(411)	(520)	(109)	
	<u>69,886</u>	<u>76,234</u>	6,348	9%
Revenue				
STFT	(534)	(1,472)	(938)	
Interruptible	(753)	(2,244)	(1,491)	
Total	<u>(1,288)</u>	<u>(3,716)</u>	(2,429)	
Firm Rev Rqmt ²	<u><u>68,599</u></u>	<u><u>72,517</u></u>	<u><u>3,919</u></u>	6%

1. Based on most recent forecast available.

2. Totals may not add due to rounding.

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Zone 8 – 2008 Forecasted Costs and Revenue (\$000)



	2007 ¹ Forecast	2008 Budget	Difference	%
Costs				
O&M				
- Pipe Integrity	7,252	5,600	(1,652)	
- Other	20,651	13,426	(7,225)	
	<u>27,903</u>	<u>19,025</u>	(8,878)	
Return & Depr.	35,922	35,647	(275)	
Taxes (Income + Other)	12,995	18,693	5,698	
Special Charge	295	553	258	
	<u>77,115</u>	<u>73,918</u>	(3,197)	(4%)
Adjustments				
Previous (Over) Under	(362)	9,992	10,354	
G&A Settlement	(520)	(807)	(288)	
	<u>76,233</u>	<u>83,104</u>	6,870	9%
Revenue				
STFT	(1,472)	(3,966)	(2,494)	
Interruptible	(2,244)	(271)	1,974	
Total	<u>(3,716)</u>	<u>(4,237)</u>	(521)	
Firm Rev Rqmt ²	<u><u>72,517</u></u>	<u><u>78,867</u></u>	<u><u>6,350</u></u>	9%

1. Based on most recent forecast available.

2. Totals may not add due to rounding.

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Zone 8 - Analysis of 2008 Proposed Rates



2007 Firm Rev Rqmt	68,599	7.5	-
Impact :			
O&M			
- Pipe Integrity	4,508	0.5	
- Other	(6,494)	(0.7)	
	<u>(1,986)</u>	<u>(0.2)</u>	(3%)
Return & Depr.	(1,258)	(0.1)	(2%)
Taxes (Income + Other)	6,551	0.7	10%
Previous (Over) / Under	10,354	1.1	15%
Other Rev Rqmt	(3,394)	(0.4)	(5%)
Firm Contracts	<u>-</u>	<u>0.7</u>	9%
2008 Firm Rev Rqmt ¹	78,867	9.3	24%

1. Totals may not add due to rounding.

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Zone 8 Rate Sensitivity – Rule of Thumb



- A \$1 million dollar increase (decrease) in revenue requirement results in approx. a 0.1¢/GJ increase (decrease) in the average Firm Transportation rate
- A 100 TJ/d increase (decrease) in contract level results in approximately a 0.4¢ decrease (increase) in the average Firm Transportation rate
- A \$2 million increase (decrease) in revenue requirement and a 100 TJ/d decrease (increase) in contracts results in an approximately 6% increase (decrease) to the average Firm Transportation rate

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2008 Filing Timeline



- Review 2008 Preliminary Rates at Shipper meetings, starting November 14th
- Updated 2008 rate package (presentation material and rate schedules) available to customers by November 26th
 - Posted on web site with email notification:
http://www.transcanada.com/Foothills/industry_committee/index.html
- File for 2008 Effective Rates by November 30, 2007

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2008 Proposed Rates - Contacts



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Next Steps



- Foothills to file 2008 rates on or before December 1, 2007
 - Including Open Season Bid Deposit tariff amendments