



TransCanada PipeLines Limited
450-1st Street S.W.
Calgary, Alberta, Canada T2P 5H1

Tel: (403) 920 7186
Fax: (403) 920-2347
Email: norm_bowman@transcanada.com

February 28, 2007

National Energy Board
444 Seventh Avenue S.W.
Calgary, Alberta
T2P 0X8

Filed Electronically

Attention: Mr. Michel L. Mantha, Secretary

Dear Sir:

**Re: Foothills Pipe Lines Ltd. (“Foothills”)
Annual Surveillance Report
For the Twelve Months Ended December 31, 2006**

Enclosed is a copy of Foothills’ Annual Surveillance Report for the twelve months ended December 31, 2006.

Foothills is notifying shippers of the availability of these filings in the Board’s repository as well as on TransCanada’s Foothills System Website at the address below.

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

If you have any questions or concerns with respect to the enclosed, please contact Alex Harris at (403) 920-6201.

Yours truly,

Foothills Pipe Lines Ltd.
A wholly owned subsidiary of TransCanada PipeLines Limited

Original Signed By

Norm Bowman
Director, Regulatory Services

cc. Interested Parties – TG-6-81
Foothills Firm and Interruptible Shippers

Foothills Pipe Lines Ltd.

Annual Surveillance Report

For the Period Ended December 31, 2006

The NEB Annual Surveillance Report is a special purpose financial summary intended for the use of the National Energy Board and its staff. The Report is provided to enable the Board to monitor the Company's utility operations in comparison with the revenues and expenditures approved for the test year.

Pursuant to Guide BB of the Board's Filing Manual Foothills submits its year-end report for 2006.

CONTENTS

- 1 Income Summary
 - (a) Foothills Pipe Lines (Alta.) Ltd - Zone 6
 - (b) Foothills Pipe Lines (Alta.) Ltd - Zone 7
 - (c) Foothills Pipe Lines (South B.C.) Ltd - Zone 8
 - (d) Foothills Pipe Lines (Sask.) Ltd - Zone 9

- 2 Average Rate Base
 - (a) Foothills Pipe Lines (Alta.) Ltd - Zone 6
 - (b) Foothills Pipe Lines (Alta.) Ltd - Zone 7
 - (c) Foothills Pipe Lines (South B.C.) Ltd - Zone 8
 - (d) Foothills Pipe Lines (Sask.) Ltd - Zone 9

- 3 Throughput Detail

- 4 Payroll Statistics
 - Salaries, Wages, and Employee Benefits

- 5 Payroll Statistics
 - Employee Allocation

- 6 Deferral Accounts

- 7 Performance Measures

- 8 Intercorporate Transactions

FOOTHILLS PIPE LINES (ALTA.) LTD. - ZONE 6
INCOME SUMMARY
(For Twelve Months Ended December 31, 2006)
(\$000)

Particulars	NEB Accounts	Year-to-Date Actual	NEB Decision	Variance Col. (c) - (d)	Note
(a)	(b)	(c)	(d)	(e)	
Revenue					
Transportation Revenue	300	61,208	73,936	(12,727)	
Special Charge & Incentive Settlement		4,011	4,783	(772)	(1)
Total Revenue		<u>65,219</u>	<u>78,719</u>	<u>(13,499)</u>	
Operating Expenses					
Salaries, Wages & Benefits	301	2,692	2,983	(291)	(2)
Fuel & Power	301	7,189	21,105	(13,916)	(3)
Other Operating & Maintenance	301	10,061	7,222	2,839	(4)
Depreciation & Amortization	303-304	15,700	15,765	(65)	
Income Taxes	306	7,634	8,175	(541)	(5)
Taxes Other than Income	305	2,948	2,939	9	
NEB & NPA Cost Recovery	301	1,536	1,622	(86)	
Total Operating Expenses		<u>47,760</u>	<u>59,812</u>	<u>(12,051)</u>	
Operating Income		17,459	18,907	(1,448)	
Financial Charges		6,180	6,799	(619)	(6)
Special Charge and Incentive Settlement		4,011	4,783	(772)	(1)
Equity Return		<u>7,268</u>	<u>7,325</u>	<u>(57)</u>	
Rate of Return on Rate Base (Average)		6.12%	6.39%		
Approved Rate of Return on Common Equity		8.88%	8.88%		
Incentive Rate of Return and Other		0.65%	0.65%		
Total Rate of Return on Common Equity		<u>9.53%</u>	<u>9.53%</u>		

* Numbers may not add up to totals due to rounding.

NOTE:

- 1) Variance is due to higher G&A costs than forecasted.
- 2) Variance is due to a shift from redistributed salary costs to direct salary costs as well as fewer project initiatives than expected
- 3) Variance is primarily due to lower usage of the Electric Compressor at Jenner.
- 4) Variance is primarily due to higher than forecast repair and overhaul, pipeline integrity and field operation costs.
- 5) Variance due to lower tax rates.
- 6) Variance is due to lower cost of debt than anticipated. Actual equity structure created a prefunded position.

FOOTHILLS PIPE LINES (ALTA.) LTD. - ZONE 7
INCOME SUMMARY
(For Twelve Months Ended December 31, 2006)
(\$000)

Particulars	NEB Accounts	Year-to-Date Actual	NEB Decision	Variance Col. (c) - (d)
(a)	(b)	(c)	(d)	(e)
Revenue				
Transportation Revenue	300	8,307	8,411	(104)
Special Charge & Incentive Settlement		432	503	(71)
Total Revenue		<u>8,739</u>	<u>8,914</u>	<u>(175)</u>
Operating Expenses				
Salaries, Wages & Benefits	301	306	339	(33)
Other Operating & Maintenance	301	746	567	178
Depreciation & Amortization	303-304	3,117	3,129	(12)
Income Taxes	306	1,438	1,555	(117)
Taxes Other than Income	305	776	808	(32)
NEB & NPA Cost Recovery	301	175	185	(10)
Total Operating Expenses		<u>6,558</u>	<u>6,584</u>	<u>(26)</u>
Operating Income		2,181	2,330	(149)
Financial Charges		806	876	(70)
Special Charge & Incentive Settlement		432	503	(71)
Equity Return		<u>943</u>	<u>951</u>	<u>(8)</u>
Rate of Return on Rate Base (Average)		6.12%	6.39%	
Approved Rate of Return on Common Equity		8.88%	8.88%	
Incentive Rate of Return and Other		0.66%	0.71%	
Total Rate of Return on Common Equity		<u>9.54%</u>	<u>9.59%</u>	

* Numbers may not add up to totals due to rounding.

FOOTHILLS PIPE LINES (SOUTH B.C.) LTD. - ZONE 8
INCOME SUMMARY
(For Twelve Months Ended December 31, 2006)
(\$000)

Particulars	NEB Accounts	Year-to-Date Actual	NEB Decision	Variance Col. (c) - (d)
(a)	(b)	(c)	(d)	(e)
Revenue				
Transportation Revenue	300	21,265	21,733	(468)
Special Charge & Incentive Settlement		872	1,058	(186)
Total Revenue		<u>22,137</u>	<u>22,791</u>	<u>(654)</u>
Operating Expenses				
Salaries, Wages & Benefits	301	634	703	(69)
Other Operating & Maintenance	301	1,441	1,423	18
Depreciation & Amortization	303-304	6,679	6,699	(20)
Income Taxes	306	3,182	3,246	(64)
Taxes Other than Income	305	2,868	3,009	(141)
NEB & NPA Cost Recovery	301	362	382	(20)
Total Operating Expenses		<u>15,166</u>	<u>15,461</u>	<u>(295)</u>
Operating Income		6,971	7,330	(359)
Financial Charges		2,981	3,147	(166)
Special Charge & Incentive Settlement		872	1,058	(186)
Equity Return		<u>3,118</u>	<u>3,125</u>	<u>(7)</u>
Rate of Return on Rate Base (Average)		6.25%	6.42%	
Approved Rate of Return on Common Equity		8.88%	8.88%	
Incentive Rate of Return and Other		-0.01%	0.76%	
Total Rate of Return on Common Equity		<u>8.87%</u>	<u>9.64%</u>	

* Numbers may not add up to totals due to rounding.

FOOTHILLS PIPE LINES (SASK) LTD. - ZONE 9
INCOME SUMMARY
(For Twelve Months Ended December 31, 2006)
(\$000)

Particulars (a)	NEB Accounts (b)	Year-to-Date Actual (c)	NEB Decision (d)	Variance Col. (c) - (d) (e)
Revenue				
Transportation Revenue	300	61,218	64,631	(3,413)
Special Charge & Incentive Settlement		2,070	2,507	(436) (1)
Total Revenue		63,288	67,138	(3,850)
Operating Expenses				
Salaries, Wages & Benefits	301	1,251	1,387	(135)
Fuel & Power	301	626	602	24
Other Operating & Maintenance	301	5,412	4,974	438 (2)
Depreciation & Amortization	303-304	17,821	18,018	(197)
Income Taxes	306	10,967	12,112	(1,145) (3)
Taxes Other than Income	305	5,303	6,563	(1,259) (4)
NEB & NPA Cost Recovery	301	736	754	(18)
Total Operating Expenses		42,117	44,409	(2,292)
Operating Income		21,171	22,729	(1,557)
Financial Charges		8,874	9,866	(992) (5)
Special Charge & Incentive Settlement		2,070	2,507	(436) (1)
Equity Return		10,227	10,356	(129)
Rate of Return on Rate Base (Average)		6.09%	6.38%	
Approved Rate of Return on Common Equity		8.88%	8.88%	
Incentive Rate of Return and Other		0.37%	0.36%	
Total Rate of Return on Common Equity		9.25%	9.24%	

* Numbers may not add up to totals due to rounding.

Note:

- 1) Variance is due to higher G&A costs than forecasted.
- 2) Variance is primarily due to higher repair and overhaul, pipeline integrity and field operation costs than forecast.
- 3) Variance due to lower tax rates.
- 4) Variance due to the elimination of the Large Corporation Tax, as well as lower Fuel Tax and Property Tax.
- 5) Variance is due to lower cost of debt than anticipated. Actual equity structure created a prefunded position.

FOOTHILLS PIPE LINES LTD. - Zone 6
AVERAGE RATE BASE
(For Twelve Months Ended December 31, 2006)
(\$000's)

Particulars	Year-to-Date Actual	NEB Decision	Variance Col. (b) - (c)	
(a)	(b)	(c)	(d)	
Plant in Service				
Net Plant	205,815	205,980	(165)	
Contributions in Aid of Construction	1,102	1,137	(35)	
Total Plant	206,917	207,117	(201)	
Working Capital				
Prepayments and Deposits	1,055	1,055	-	
Cash	2,685	4,126	(1,441)	(1)
Inventory	1,120	1,305	(185)	
Total Working Capital	4,860	6,486	(1,626)	
Deferrals				
Deferred Taxes	-	-	-	
Total Average Rate Base	211,777	213,604	(1,827)	

* Numbers may not add up to totals due to rounding.

Note:

1) Variance is due to reduced OM&A costs.

FOOTHILLS PIPE LINES LTD. - Zone 7
AVERAGE RATE BASE
(For Twelve Months Ended December 31, 2006)
(\$000's)

Particulars	Year-to-Date		Variance
(a)	Actual	NEB Decision	Col. (b) - (c)
	(b)	(c)	(d)
Plant in Service			
Net Plant	27,039	27,119	(80)
Contributions in Aid of Construction	-	-	-
Total Plant	27,039	27,119	(80)
Working Capital			
Prepayments and Deposits	279	279	-
Cash	154	138	16
Inventory	-	-	-
Total Working Capital	432	417	16
Deferrals			
Deferred Taxes	-	-	-
Total Average Rate Base	27,471	27,536	(65)

* Numbers may not add up to totals due to rounding.

FOOTHILLS PIPE LINES LTD. - Zone 8
AVERAGE RATE BASE
(For Twelve Months Ended December 31, 2006)
(\$000's)

Particulars	Year-to-Date Actual	NEB Decision	Variance Col. (b) - (c)
(a)	(b)	(c)	(d)
Plant in Service			
Net Plant	96,527	96,619	(92)
Contributions in Aid of Construction	-	-	-
Total Plant	96,527	96,619	(92)
Working Capital			
Prepayments and Deposits	768	822	(54)
Cash	305	316	(11)
Inventory	-	-	-
Total Working Capital	1,073	1,138	(65)
Deferrals			
Deferred Taxes	-	-	-
Total Average Rate Base	97,599	97,757	(158)

* Numbers may not add up to totals due to rounding.

FOOTHILLS PIPE LINES LTD. - Zone 9
AVERAGE RATE BASE
(For Twelve Months Ended December 31, 2006)
(\$000's)

Particulars	Year-to-Date Actual	NEB Decision	Variance Col. (b) - (c)	
(a)	(b)	(c)	(d)	
Plant in Service				
Net Plant	304,807	308,798	(3,991)	(1)
Contributions in Aid of Construction	279	297	(18)	
Total Plant	305,086	309,095	(4,009)	
Working Capital				
Prepayments and Deposits	(0)	0	(0)	
Cash	1,003	969	34	
Inventory	1,137	1,251	(114)	
Total Working Capital	2,140	2,221	(80)	
Deferrals				
Deferred Taxes	-	-	-	
Total Average Rate Base	307,226	311,315	(4,089)	

* Numbers may not add up to totals due to rounding.

Note:

1) Variance is due to lower than forecasted linepack.

FOOTHILLS PIPE LINES LTD.

2006 Throughput Detail
(TJ)

Particulars (a)	SERVICE	ZONE	2006 ACTUAL (b)	2006 FORECAST ^{1/} (c)	VARIANCE (b-c) (d)
Canadian Volumes:	SGS-1	9 ^{2/}	119.1	32.9	86.2
Export Volumes:	T-1	9	519,980.5	534,982.7	(15,002.2)
	STFT	9 ^{3/}	128,413.6	149,133.6	(20,720.0)
	IT	9	95,111.2	101,574.1	(6,462.9)
Total Volumes:			743,624.3	785,723.3	(42,098.9)
Other Volumes:	T-1	6 ^{4/}			
	T-1	7 ^{5/}			
	T-1	8 ^{6/}			

¹ Forecast prepared November, 2005

² 2006 throughput variance for SGS-1 is due to higher than anticipated tap volumes in Nov/Dec of 2006; as well as measurement corrections pertaining to September 2003 to September 2005.

³ STFT was expected to be higher with the added flexibility of starting service mid month.

⁴ All capacity (2,354.293 GJ/day) is contracted to Nova Gas Transmission Ltd.

⁵ All capacity (761.121 GJ/day) is contracted to Nova Gas Transmission Ltd.

⁶ All capacity (1,177.418 GJ/day) is contracted to the TransCanada BC System

FOOTHILLS PIPE LINES LTD.
PAYROLL STATISTICS
Salaries, Wages and Employee Benefits
(For Twelve Months Ended December 31, 2006)
(\$000)

Particulars	Year-to-Date Actual	NEB Decision	Variance (b) -(c)	Note
(a)	(b)	(c)	(d)	
Salaries & Wages				
Total Regular Salaries & Wages	3,487	3,363	124	
Total Ancillary Including Overtime	181	109	72	
Total Gross Salaries	3,668	3,472	196	
Charged to Construction & Other	(79)	480	(559)	(1)
Gross Salaries Charged to Cost of Service	3,589	3,952	(363)	
Employee Benefits				
Total Benefits	1,325	1,278	47	
Charged to Construction & Other	(30)	182	(212)	(1)
Benefits Charged to Cost of Service	1,295	1,460	(165)	

* Numbers may not add up to totals due to rounding.

Note:

- (1) Variance is due to a shift from redistributed salary costs to direct salary costs as well as fewer project initiatives than expected

**FOOTHILLS PIPE LINES LTD.
PAYROLL STATISTICS
Average Allocated Employees
(For Twelve Months Ended December 31, 2006)**

Particulars	Year-to-Date Actual	NEB Decision	Variance (b)-(c)	Note
(a)	(b)	(c)	(d)	
1 Total Regular Employees	41	39	2	
2 Charged to Construction & Other	(1)	5	(6)	(1)
3 Employees Charged to Cost of Service	40	44	(4)	

Note:

- (1) Variance is due to a shift from redistributed salary costs to direct salary costs as well as fewer project initiatives than expected

**FOOTHILLS PIPE LINES LTD.
DEFERRAL ACCOUNTS
(For Twelve Months Ended December 31, 2006)**

Particulars

Foothills Pipe Lines Ltd. is regulated on a cost of service basis and over or under-collections are adjusted in tolls annually.

The deferred tax payback amounts that were reported on this schedule in past years have been fully repaid, therefore no balances remain.

**FOOTHILLS PIPE LINES LTD.
YEAR END REPORT - PERFORMANCE MEASURES**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	Note
A. Total Revenue Requirement per Throughput Km (\$/10⁶m³-km)	10.2	10.0	9.3	9.6	9.0	10.0	
B. Operating Expenses per Throughput Km (\$/10⁶m³-km)	5.3	5.3	4.6	5.0	4.8	5.6	
C. Operating Expenses per Average Gross Plant in Service (%)	6.0%	6.0%	5.2%	5.6%	5.3%	6.2%	
D. Administrative and General Expenses per Employee (\$'000s) In this measure Employees include salaried and contract personnel	92.0	98.8	94.6	194.2	169.7	197.6	1
E. Administrative and General Expenses per Throughput Km (\$/10⁶m³-km)	0.5	0.6	0.4	0.5	0.5	0.5	
F. Net Plant per Throughput Km (\$/10⁶m³-km)	48.6	47.3	45.3	44.5	42.7	40.5	
G. Throughput Km per Employee (10⁶m³-km)	171,914	165,563	239,566	359,777	337,909	397,459	2
H. Fuel and Power Costs per Throughput Km (\$/10⁶m³-km)	1.01	0.65	0.55	0.51	0.51	0.49	
I. Average Salary per Employee (\$'000s) In this measure employees excludes contract personnel directly involved in the operation of Foothills' pipeline system.	70.0	71.3	80.8	82.0	85.2	88.5	3
J. Average Benefits per Employee (\$'000s) In this measure employees excludes contract personnel directly involved in the operation of Foothills' pipeline system.	10.2	13.4	14.8	30.9	32.1	33.1	4
K. Actual and Approved Rates of Return on Equity	9.61%	9.53%	9.79%	9.56%	9.46%	8.88%	
L. Actual Rates of Return on Rate Base	7.55%	6.89%	7.12%	7.62%	6.27%	6.01%	
Approved Rates of Return on Rate Base	7.55%	6.89%	7.12%	7.62%	6.21%	6.01%	

Note

1 Admin & General Expenses per employee for 2004 & 2005 is not comparable to prior years because operations in prior years were under the management of a legal entity separate from TransCanada. Administration and General expenses have been administered differently since integration with TransCanada.

2 Throughput km per employee for 2004 & 2005 is not comparable to prior years because operations in prior years were under the management of a legal entity separate from TransCanada.

3 As Foothills is wholly owned by TransCanada, the average salary per employee for TransCanada now applies to Foothills.

4 As Foothills is wholly owned by TransCanada, the average benefits per employee for TransCanada now applies to Foothills.

FOOTHILLS PIPE LINES LTD.
INTERCORPORATE TRANSACTIONS
(For Twelve Months Ended December 31, 2006)

- Summary Receipts -

Contracting Party	Nature of Service	(\$000)	Ref. Sch.#
TransCanada BC System	Transportation Service	22,124	8.1
NOVA Gas Transmission Ltd.	Transportation Service	83,677	8.1
Grand Total		105,801	

* Numbers may not add up to totals due to rounding.

FOOTHILLS PIPE LINES LTD.
INTERCORPORATE TRANSACTIONS
 (For Twelve Months Ended December 31, 2006)
 (\$000)

- Receipts -

Contracting Parties: TransCanada BC System

Nature Of Service: Gas Transportation

Description: Transportation services associated with the movement of gas on the Foothills system, billed in accordance with Foothills Pipe Lines tolls

	Gas Transportation
Amount	22,124

Contracting Parties: NOVA Gas Transmission Ltd.

Nature Of Service: Gas Transportation

Description: Transportation services associated with the movement of gas on the Foothills system, billed in accordance with Foothills Pipe Lines tolls

	Gas Transportation
Amount	83,677

FOOTHILLS PIPE LINES LTD.
INTERCORPORATE TRANSACTIONS
(For Twelve Months Ended December 31, 2006)

- Summary Payments -

Contracting Party	Nature of Service	(\$000)	Ref. Sch.#
TransCanada Pipelines Limited	Interest Payments	19,900	8.3
Grand Total		19,900	

FOOTHILLS PIPE LINES LTD.
INTERCORPORATE TRANSACTIONS
(For Twelve Months Ended December 31, 2006)
(\$000)

- Payments -

Contracting Parties: TransCanada Pipelines Limited

Nature Of Service: Interest Payments

Description: Interest payments on Long-term Debt

	Interest Payments
Amount	19,900