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March 2, 2007

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

Filed Electronically

Attention: Mr. Michel L. Mantha, Secretary

Dear Mr. Mantha:

**Re: Foothills Pipe Lines Ltd. (“Foothills”)
2006 General and Administration (“G&A”) Expenses Report**

Pursuant to Section 4.6 of the Settlement Agreement with respect to the Special Charge and Certain Modifications to the Existing Cost of Service Methodology for Fixing Foothills Tolls, which was approved by Order TG-2-2003, Foothills is filing the G&A Expenses Report for the twelve months ended December 31, 2006.

Foothills is notifying shippers of the availability of this filing 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 Greg Szuch at (403) 920-5321.

Yours truly,

Foothills Pipe Lines Ltd.

A wholly owned subsidiary of TransCanada PipeLines Limited

Original Signed By

Norm Bowman
Directory, Regulatory Services

Encl.

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

FOOTHILLS PIPE LINES LTD.

**REPORT ON GENERAL AND ADMINISTRATIVE EXPENSES FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006
PURSUANT TO SECTION 4.6 OF THE SETTLEMENT AGREEMENT WITH RESPECT TO THE SPECIAL CHARGE AND CERTAIN
MODIFICATIONS TO THE EXISTING COST OF SERVICE METHODOLOGY FOR FIXING FOOTHILLS TOLLS DATED JANUARY 13, 2003
(\$000's)**

	<u>2006</u>
Agreed Amount	14,181.6
Actual Amount	7,787.2
Incentive Saving	6,394.4
Annual Collectible Amount	2,269.5
Foothills' Share of aggregate Incentive Amount	21,115.1

DEFINITIONS AND INTERPRETATION

"**Agreed Amount**" means, for any year during the Term, an initial amount equal to \$12,600,000, escalated by 3% per year commencing January 1, 2003.

"**Actual Amount**" has the meaning as defined in Section 3.1 of the Settlement; the actual amount of General and Administrative Expenses for any year.

"**Incentive Saving**" has the meaning as defined in Subsection 3.1(b)(ii) of the Settlement; the Agreed Amount less the Actual Amount for such year.

"**Collectible Amount**" has the meaning as defined in Section 2.1 of the Settlement; two-thirds (2/3) of the outstanding principal balance of the Phase II Preliminary Expenditures at November 1, 2003.