



450 - 1 Street S.W.  
Calgary, Alberta, Canada T2P 5H1  
Tel: (403) 920.4512  
Fax: (403) 920.2347  
E-mail: eman\_tadayoni@transcanada.com

March 1, 2013

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

Filed Electronically

**Attention: Ms. Sheri Young, Secretary of the Board**

Dear Ms. Young:

**Re: Foothills Pipe Lines Ltd. (Foothills)  
Annual Surveillance Report  
For the Period Ended December 31, 2012**

Enclosed for filing with the Board is a copy of Foothills' Annual Surveillance Report for the period ended December 31, 2012.

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 following address:

<http://www.transcanada.com/customerexpress/934.html>

Should the Board require additional information regarding this filing, please contact the undersigned at (403) 920-4512 or eman\_tadayoni@transcanada.com.

Yours truly,  
**Foothills Pipe Lines Ltd.**

*Original signed by*

Eman Tadayoni  
Regulatory Project Manager  
Regulatory Services

Attachment

cc: Foothills Firm and Interruptible Shippers

# **Foothills Pipe Lines Ltd.**

## **Annual Surveillance Report**

For the Year Ended December 31, 2012

The National Energy Board (NEB or Board) Annual Surveillance Report is a special purpose financial summary intended for the use of the NEB 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 used to determine tolls for the test year.

Pursuant to Guide BB of the Board's Filing Manual, Foothills submits its year-end report for 2012.

### **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
  - Average Allocated Employees
  
- 6      Deferral Accounts
  
- 7      Performance Measures
  
- 8      Intercorporate Transactions

**FOOTHILLS PIPE LINES (ALTA.) LTD. - ZONE 6**  
**INCOME SUMMARY**  
**(For Twelve Months Ended December 31, 2012)**  
**(\$000)**

<b>Particulars</b>	<b>NEB</b>	<b>Period</b>	<b>Decision</b>	<b>Variance</b>	<b>Note</b>
<b>(a)</b>	<b>Accounts</b>	<b>Actual</b>	<b>(d)</b>	<b>(c) - (d)</b>	
	<b>(b)</b>	<b>(c)</b>		<b>(e)</b>	
<b>Revenue</b>					
Transportation Revenue	300	67,830	70,188	(2,358)	
Special Charge		1,405	1,427	(22)	
Total Revenue		<u>69,235</u>	<u>71,615</u>	<u>(2,380)</u>	
<b>Operating Expenses</b>					
Salaries, Wages & Benefits	301	6,827	7,625	(798)	(1)
Fuel & Power	301	16,808	17,036	(228)	(2)
Emissions Compliance Costs	301	174	-	174	
Other Operating & Maintenance	301	7,939	7,954	(15)	
Depreciation & Amortization	303-304	16,324	16,370	(46)	
Income Taxes	306	4,523	4,848	(325)	(3)
Taxes Other than Income	305	3,310	3,414	(104)	
NEB & NPA Cost Recovery	301	2,267	3,242	(975)	(4)
Total Operating Expenses		<u>58,173</u>	<u>60,489</u>	<u>(2,316)</u>	
<b>Operating Income</b>		11,062	11,126	(64)	
Financial Charges		4,475	4,494	(20)	
Special Charge		1,405	1,427	(22)	
<b>Equity Return</b>		<u>5,183</u>	<u>5,205</u>	<u>(22)</u>	
<b>Return on Rate Base</b>		7.23%	7.23%		
<b>Return on Common Equity</b>		9.70%	9.70%		
<b>Average Rate Base</b>		133,574	134,160		

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

**Note:**

- 1) Variance is primarily due to fewer allocated employees than forecast.
- 2) Variance is primarily due to lower power spot prices partially offset by slightly higher demand than forecast.
- 3) Variance is primarily due to higher tax deductions for capitalized repair and overhaul costs than forecast.
- 4) NEB cost recovery was less than forecast primarily due to a levy relief issued by the NEB in 2012.

**FOOTHILLS PIPE LINES (ALTA.) LTD. - ZONE 7**  
**INCOME SUMMARY**  
(For Twelve Months Ended December 31, 2012)  
(\$000)

Particulars	NEB Accounts	Period Actual	Decision	Variance (c) - (d)	Note
(a)	(b)	(c)	(d)	(e)	
<b>Revenue</b>					
Transportation Revenue	300	8,302	8,814	(512)	
Special Charge		195	198	(3)	
Total Revenue		<u>8,497</u>	<u>9,012</u>	<u>(516)</u>	
<b>Operating Expenses</b>					
Salaries, Wages & Benefits	301	948	1,058	(111)	
Other Operating & Maintenance	301	1,599	1,851	(252)	(1)
Depreciation & Amortization	303-304	2,996	2,994	2	
Income Taxes	306	871	880	(10)	
Taxes Other than Income	305	856	867	(11)	
NEB & NPA Cost Recovery	301	315	450	(135)	
Total Operating Expenses		<u>7,585</u>	<u>8,101</u>	<u>(516)</u>	
<b>Operating Income</b>		912	912	1	
Financial Charges		332	331	2	
Special Charge & Incentive Settlement		195	198	(3)	
<b>Equity Return</b>		<u>385</u>	<u>383</u>	<u>2</u>	
<b>Return on Rate Base</b>		7.23%	7.23%		
<b>Return on Common Equity</b>		9.70%	9.70%		
<b>Average Rate Base</b>		9,921	9,872		

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

**Note:**

1) Variance is primarily due to lower pipe integrity activities than forecast.

**FOOTHILLS PIPE LINES (SOUTH B.C.) LTD. - ZONE 8**  
**INCOME SUMMARY**  
(For Twelve Months Ended December 31, 2012)  
(\$000)

Particulars	NEB Accounts	Period Actual	Decision	Variance (c) - (d)	Note
(a)	(b)	(c)	(d)	(e)	
<b>Revenue</b>					
Transportation Revenue	300	67,124	70,385	(3,261)	
Special Charge		542	542	0	
Total Revenue		<u>67,665</u>	<u>70,926</u>	<u>(3,261)</u>	
<b>Operating Expenses</b>					
Salaries, Wages & Benefits	301	2,633	2,941	(308)	(1)
Fuel & Power	301	438	421	17	
Emissions Compliance Costs	301	5,399	3,344	2,056	(2)
Other Operating & Maintenance	301	9,273	14,574	(5,301)	(3)
Depreciation & Amortization	303-304	17,651	17,673	(22)	
Income Taxes	306	6,087	6,134	(47)	
Taxes Other than Income	305	7,355	7,405	(50)	
Fuel Tax	305	2,407	1,521	886	(2)
NEB & NPA Cost Recovery	301	861	1,231	(370)	(4)
Total Operating Expenses		<u>52,104</u>	<u>55,242</u>	<u>(3,138)</u>	
<b>Operating Income</b>		15,561	15,684	(123)	
Financial Charges		6,823	6,914	(90)	
Special Charge & Incentive Settlement		542	542	0	
<b>Equity Return</b>		<u>8,196</u>	<u>8,229</u>	<u>(33)</u>	
<b>Return on Rate Base</b>		7.11%	7.14%		
<b>Return on Common Equity</b>		9.70%	9.70%		
<b>Average Rate Base</b>		211,247	212,075		

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

**Note:**

- 1) Variance is primarily due to fewer allocated employees than forecast.
- 2) Variance is due to higher throughput and associated compressor fuel use than forecast.
- 3) Variance is primarily due to lower pipe integrity activities than forecast.
- 4) NEB cost recovery was less than forecast primarily due to a levy relief issued by the NEB in 2012.

**FOOTHILLS PIPE LINES (SASK) LTD. - ZONE 9**  
**INCOME SUMMARY**  
**(For Twelve Months Ended December 31, 2012)**  
**(\$000)**

<b>Particulars</b>	<b>NEB Accounts</b>	<b>Period Actual</b>	<b>Decision</b>	<b>Variance (c) - (d)</b>	<b>Note</b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	<b>(e)</b>	
<b>Revenue</b>					
Transportation Revenue	300	48,664	49,497	(833)	
Special Charge		128	103	25	
Total Revenue		<u>48,792</u>	<u>49,601</u>	<u>(808)</u>	
<b>Operating Expenses</b>					
Salaries, Wages & Benefits	301	623	696	(73)	
Fuel & Power	301	587	675	(88)	
Other Operating & Maintenance	301	3,863	4,094	(231)	(1)
Depreciation & Amortization	303-304	18,374	18,362	12	
Income Taxes	306	6,489	6,980	(491)	(2)
Taxes Other than Income	305	3,221	3,146	75	
Fuel Tax	305	657	567	90	
NEB & NPA Cost Recovery	301	164	235	(71)	
Total Operating Expenses		<u>33,979</u>	<u>34,755</u>	<u>(776)</u>	
<b>Operating Income</b>		14,813	14,845	(32)	
Financial Charges		6,749	6,776	(26)	
Special Charge & Incentive Settlement		128	103	25	
<b>Equity Return</b>		<u>7,936</u>	<u>7,966</u>	<u>(31)</u>	
<b>Return on Rate Base</b>		7.18%	7.18%		
<b>Return on Common Equity</b>		9.70%	9.70%		
<b>Average Rate Base</b>		204,526	205,319		

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

**Note:**

- 1) Variance is primarily due to lower pipe integrity activities and partially offset by higher repair and overhaul than forecast.
- 2) Variance is primarily due to higher tax deductions for capitalized repair and overhaul costs than forecast.

**FOOTHILLS PIPE LINES LTD. - Zone 6**  
**AVERAGE RATE BASE**  
**(For Twelve Months Ended December 31, 2012)**  
**(\$000's)**

<b>Particulars</b>	<b>Period Actual</b>	<b>Decision</b>	<b>Variance (b) - (c)</b>	<b>Note</b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	
<b>Plant in Service</b>				
Net Plant	125,878	126,423	(544)	(1)
<b>Working Capital</b>				
Linepack	2,577	2,577	-	
Prepayments and Deposits	99	99	-	
Cash	4,416	4,454	(38)	
Inventory	603	606	(3)	
Total Working Capital	<u>7,695</u>	<u>7,737</u>	<u>(42)</u>	
<b>Total Average Rate Base</b>	<u>133,574</u>	<u>134,160</u>	<u>(586)</u>	

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

**Note:**

- 1) Variance is primarily due to timing of in service additions and lower opening Net Plant balances than forecast.

**FOOTHILLS PIPE LINES LTD. - Zone 7**  
**AVERAGE RATE BASE**  
**(For Twelve Months Ended December 31, 2012)**  
**(\$000's)**

<b>Particulars</b>	<b>Period Actual</b>	<b>Decision</b>	<b>Variance (b) - (c)</b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>
<b>Plant in Service</b>			
Net Plant	8,530	8,419	111
<b>Working Capital</b>			
Linepack	1,039	1,039	-
Prepayments and Deposits	-	-	-
Cash	352	415	(62)
Inventory	-	-	-
Total Working Capital	<u>1,391</u>	<u>1,453</u>	<u>(62)</u>
<b>Total Average Rate Base</b>	<u>9,921</u>	<u>9,872</u>	<u>49</u>

\* 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, 2012)**  
**(\$000's)**

<b>Particulars</b>	<b>Period Actual</b>	<b>Decision</b>	<b>Variance (b) - (c)</b>	<b>Note</b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	
<b>Plant in Service</b>				
Net Plant	205,055	205,574	(519)	(1)
<b>Working Capital</b>				
Linepack	1,473	1,473	-	
Prepayments and Deposits	-	-	-	
Cash	2,629	2,937	(308)	(2)
Inventory	2,090	2,091	(1)	
Total Working Capital	<u>6,192</u>	<u>6,501</u>	<u>(309)</u>	
<b>Total Average Rate Base</b>	<u>211,247</u>	<u>212,075</u>	<u>(828)</u>	

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

**Note:**

- 1) Variance is primarily due to timing of in service additions and lower opening Net Plant balances than forecast.
- 2) Variance is primarily due to lower pipeline integrity activity and maintenance costs than forecast.

**FOOTHILLS PIPE LINES LTD. - Zone 9**  
**AVERAGE RATE BASE**  
**(For Twelve Months Ended December 31, 2012)**  
**(\$000's)**

<b>Particulars</b>	<b>Period Actual</b>	<b>Decision</b>	<b>Variance (b) - (c)</b>	<b>Note</b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	
<b>Plant in Service</b>				
Net Plant	200,805	201,439	(634)	(1)
<b>Working Capital</b>				
Linepack	2,316	2,316	-	
Prepayments and Deposits	-	-	-	
Cash	736	780	(44)	
Inventory	670	785	(115)	
Total Working Capital	<u>3,721</u>	<u>3,881</u>	<u>(159)</u>	
<b>Total Average Rate Base</b>	<u>204,526</u>	<u>205,319</u>	<u>(793)</u>	

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

**Note:**

- 1) Variance is primarily due to deferral of capital spending partially offset by higher opening Net Plant balances than forecast.

**FOOTHILLS PIPE LINES LTD.**  
**THROUGHPUT DETAIL**  
**(For Twelve Months Ended December 31, 2012)**  
**(TJ)**

Particulars (a)	Service	Zone	2012 Actual (b)	2012 Decision <sup>(1)</sup> (c)	Variance (b-c) (d)	Note
Canadian Volumes:	FT	8	30,823	-	30,823	(2)
	STFT	8	-	-	-	
	IT	8	2,791	-	2,791	(2)
Export Volumes:	FT	8	623,793	669,509	(45,716)	(3)
	STFT	8	44,538	14,500	30,038	(3)
	IT	8	12,354	8,949	3,405	(3)
<b>Total Volumes:</b>			<b>714,299</b>	<b>692,958</b>	<b>21,341</b>	
Canadian Volumes:	SGS-1	9	52	55		(3)
	IT	9	15,370			
Export Volumes:	FT	9	109,131	84,186	24,945	(3)
	STFT	9	548,174	377,255	170,920	(3)
	IT	9	124,825	125,324	(499)	(3)
<b>Total Volumes:</b>			<b>797,553</b>	<b>650,894</b>	<b>146,659</b>	
Other Volumes:	FT	6				(4)
	FT	7				(4)

**Note:**

- 1) Forecast prepared based on contracts as at October 1, 2011.
- 2) The forecast for Canadian volumes was included in the forecast for export volumes.
- 3) Throughput is dependent on customer contracting behaviours and market conditions and therefore can fluctuate.
- 4) All capacity is contracted to NOVA Gas Transmission Ltd.

**FOOTHILLS PIPE LINES LTD.**  
**PAYROLL STATISTICS**  
**Salaries, Wages and Employee Benefits**  
**(For Twelve Months Ended December 31, 2012)**  
**(\$000)**

<b>Particulars</b>	<b>Period Actual</b>	<b>Decision</b>	<b>Variance (b) - (c)</b>	<b>Note</b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	
<b><u>Salaries &amp; Wages</u></b>				
Total Regular Salaries & Wages	7,169	8,115	(946)	(1)
Incentive compensation, ancillary and other	3,408	3,540	(132)	
Total Gross Salaries	10,577	11,655	(1,078)	
Charged to Construction & Other	(1,560)	(1,444)	(116)	
Gross Salaries Charged to Cost of Service	9,017	10,211	(1,194)	
<b><u>Employee Benefits</u></b>				
Total Benefits	1,864	2,110	(246)	(2)
Pension/Benefit Adjustment	150	-	150	
Benefits Charged to Cost of Service	2,014	2,110	(96)	

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

**Note:**

- 1) Variance is primarily due to lower pipe integrity activities than forecast.
- 2) Variance is primarily due to lower salaries associated with lower pipeline integrity activities than forecast.

**FOOTHILLS PIPE LINES LTD.**  
**PAYROLL STATISTICS**  
**Average Allocated Employees**  
**(For Twelve Months Ended December 31, 2012)**

<b>Particulars</b>	<b>Period Actual</b>	<b>Decision</b>	<b>Variance (b) -(c)</b>	<b>Note</b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	
Total Regular Employees	69	76	(7)	
Charged to Construction & Other	<u>(8)</u>	<u>(8)</u>	<u>-</u>	
Employees Charged to Cost of Service	<u>61</u>	<u>68</u>	<u>(7)</u>	

**FOOTHILLS PIPE LINES LTD.  
DEFERRAL ACCOUNTS  
(For Twelve Months Ended December 31, 2012)**

**Particulars**

---

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

FOOTHILLS PIPE LINES LTD.  
YEAR END REPORT - PERFORMANCE MEASURES

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Note</u>
A. Total Revenue Requirement per Throughput Km ( $\$/10^6\text{m}^3\text{-km}$ )	11.7	12.7	11.4	11.3	10.9	
B. Operating Expenses per Throughput Km ( $\$/10^6\text{m}^3\text{-km}$ )	7.2	8.2	7.2	7.3	7.3	
C. Operating Expenses per Average Gross Plant in Service (%)	7.0%	7.4%	7.2%	6.9%	7.3%	
D. Administrative and General Expenses per Employee ( $\$/000s$ )	210.2	193.9	201.2	219.2	253.4	
E. Administrative and General Expenses per Throughput Km ( $\$/10^6\text{m}^3\text{-km}$ )	0.8	0.8	0.7	0.8	0.9	
F. Net Plant per Throughput Km ( $\$/10^6\text{m}^3\text{-km}$ )	43.1	43.6	36.5	35.5	31.3	
G. Throughput Km per Employee ( $10^6\text{m}^3\text{-km}$ )	268,702	251,749	276,325	270,512	292,654	
H. Fuel and Power Costs per Throughput Km ( $\$/10^6\text{m}^3\text{-km}$ )	0.63	0.64	0.79	1.03	1.00	
I. Average Salary per Employee ( $\$/000s$ ) In this measure employees excludes contract personnel directly involved in the operation of Foothills.	97.4	100.5	103.6	107.2	109.4	(1)
J. Average Benefits per Employee ( $\$/000s$ ) In this measure employees excludes contract personnel directly involved in the operation of Foothills.	31.4	27.4	27.0	27.6	30.1	(1)
K. Actual and Approved Rates of Return on Equity	8.71%	8.57%	9.70%	9.70%	9.70%	
L. Actual Rate of Return on Rate Base	6.39%	5.92%	6.78%	6.97%	7.13%	
Approved Rate of Return on Rate Base	6.39%	6.37%	6.83%	7.06%	7.22%	

**Note:**

1) Average salary and associated benefits for a TCPL employee.

**FOOTHILLS PIPE LINES LTD.**  
**INTERCORPORATE TRANSACTIONS**  
(For Twelve Months Ended December 31, 2012)  
(includes total transactions greater than \$100,000)

**- Summary Receipts -**

Contracting Party	Nature of Service	(\$000)	Ref. Sch.#
NOVA Gas Transmission Ltd.	Transportation Service and Sales of Inventory	75,373	8.2
<b>Grand Total</b>		<b>75,373</b>	



**FOOTHILLS PIPE LINES LTD.**  
**INTERCORPORATE TRANSACTIONS**  
 (For Twelve Months Ended December 31, 2012)  
 (includes total transactions greater than \$100,000)

**- Summary Payments -**

Contracting Party	Nature of Service	(\$000)	Ref. Sch.#
TransCanada PipeLines Limited	Interest Payments	18,436	8.3
TransCanada Turbines	Repair and Overhaul	1,915	8.3
Gas Transmission Northwest Corporation	Gas Nominations & Scheduling Service	330	8.3
TransCanada PipeLines Limited Canadian Mainline	Purchase of Inventory	240	8.3
NOVA Gas Transmission Ltd.	Purchase of Inventory	434	8.3
<b>Grand Total</b>		<b>21,354</b>	

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

**FOOTHILLS PIPE LINES LTD.**  
**INTERCORPORATE TRANSACTIONS**  
(For Twelve Months Ended December 31, 2012)  
(\$000)

**- Receipts -**

Contracting Parties: NOVA Gas Transmission Ltd.

Nature Of Service: Gas Transportation and Sales of Inventory

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

	Gas Transportation	Sales of Inventory
Amount	75,276	97

**FOOTHILLS PIPE LINES LTD.**  
**INTERCORPORATE TRANSACTIONS**  
 (For Twelve Months Ended December 31, 2012)  
 (\$000)

**- Payments -**

Contracting Parties: TransCanada PipeLines Limited

Nature Of Service: Interest Payments

Description: Interest payments on Long-term Debt

	Interest Payments
Amount	18,436

Contracting Parties: TransCanada Turbines

Nature Of Service: Repair and Overhaul

Description: Repair and Overhaul of Compressor Units

	Repair and Overhaul
Amount	1,915

Contracting Parties: Gas Transmission Northwest Corporation (GTNC)

Nature Of Service: Gas Nominations & Scheduling Service

Description: Agreement with GTNC to provide nomination and scheduling services to Zone 8 customers.

	Gas Nominations & Scheduling Service
Amount	330

Contracting Parties: TransCanada Pipelines Limited Canadian Mainline

Nature Of Service: Purchase of Inventory

Description: Purchase of Inventory

	Purchase of Inventory
Amount	240

Contracting Parties: NOVA Gas Transmission Ltd.

Nature Of Service: Purchase of Inventory

Description: Purchase of Inventory

	Purchase of Inventory
Amount	434