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February 26, 2010

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

Filed Electronically

Attention: Ms. Anne-Marie Erikson, Acting Secretary of the Board

Dear Ms. Erikson:

**Re: Foothills Pipe Lines Ltd. (“Foothills”)
Annual Surveillance Report
For the Twelve Months Ended December 31, 2009**

Enclosed is a copy of Foothills’ Annual Surveillance Report for the twelve months ended December 31, 2009.

Foothills is notifying shippers of the availability of this filing in the Board’s repository as well as on TransCanada PipeLines Limited’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 Stella Morin at (403) 920-6844 or stella_morin@transcanada.com.

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

Original Signed by

Murray Sondergard, P. Eng.
Director, Regulatory Services

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

Foothills Pipe Lines Ltd.

Annual Surveillance Report

For the Year Ended December 31, 2009

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 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 2009.

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FOOTHILLS PIPE LINES (ALTA.) LTD. - ZONE 6
INCOME SUMMARY
(For Twelve Months Ended December 31, 2009)
(\$000)

Particulars	NEB Accounts	Period Actual	Decision	Variance (c) - (d)	Note
(a)	(b)	(c)	(d)	(e)	
Revenue					
Transportation Revenue	300	64,413	83,617	(19,204)	
Special Charge & Incentive Settlement		4,962	4,676	286	(1)
Total Revenue		69,375	88,293	(18,918)	
Operating Expenses					
Salaries, Wages & Benefits	301	6,109	6,747	(638)	(2)
Fuel & Power	301	9,460	23,508	(14,048)	(3)
Emissions Compliance Costs	301	761	350	411	(4)
Other Operating & Maintenance	301	8,660	13,485	(4,825)	(2)
Depreciation & Amortization	303-304	16,067	16,110	(43)	
Income Taxes	306	6,067	6,096	(29)	
Taxes Other than Income	305	3,493	3,536	(43)	
NEB & NPA Cost Recovery	301	3,441	2,562	879	(5)
Total Operating Expenses		54,057	72,394	(18,337)	
Operating Income					
		15,318	15,899	(580)	
Financial Charges		4,970	5,761	(791)	(6)
Special Charge and Incentive Settlement		4,962	4,676	286	(1)
Equity Return		5,386	5,462	(76)	
Return on Rate Base					
		5.94%	6.35%		
Return on Common Equity					
		8.57%	8.57%		
Average Rate Base					
		174,304	176,736		

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

Note:

- 1) Variance is due to higher incentive earnings as a result of lower G&A costs.
- 2) Variance is primarily due to lower field operations and maintenance activity and lower IS support services than forecast.
- 3) Variance is due to lower electric compressor unit utilization, lower decompression/recompression activity and lower power prices.
- 4) Forecast assumed emissions compliance costs consistent with 2008 incurred costs.
- 5) NEB Cost Recovery was greater than forecast primarily because the final 2009 cost recovery charge included a larger than expected adjustment for the difference between the estimated and actual 2007 cost recovery charges applicable to Foothills.
- 6) Variance is due to lower unfunded debt costs.

FOOTHILLS PIPE LINES (ALTA.) LTD. - ZONE 7
INCOME SUMMARY
(For Twelve Months Ended December 31, 2009)
(\$000)

Particulars	NEB Accounts	Period Actual	Decision	Variance (c) - (d)
(a)	(b)	(c)	(d)	(e)
Revenue				
Transportation Revenue	300	8,259	8,292	(32)
Special Charge & Incentive Settlement		577	524	52
Total Revenue		<u>8,836</u>	<u>8,816</u>	<u>20</u>
Operating Expenses				
Salaries, Wages & Benefits	301	726	801	(76)
Other Operating & Maintenance	301	1,045	995	50
Depreciation & Amortization	303-304	2,977	2,977	-
Income Taxes	306	1,072	1,070	2
Taxes Other than Income	305	920	940	(20)
NEB & NPA Cost Recovery	301	409	304	104
Total Operating Expenses		<u>7,148</u>	<u>7,087</u>	<u>61</u>
Operating Income		1,688	1,729	(41)
Financial Charges		537	631	(94)
Special Charge & Incentive Settlement		577	524	52
Equity Return		<u>574</u>	<u>573</u>	<u>1</u>
Return on Rate Base		5.98%	6.49%	
Return on Common Equity		8.57%	8.57%	
Average Rate Base		18,561	18,549	

* 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, 2009)
(\$000)

Particulars	NEB Accounts	Period Actual	Decision	Variance (c) - (d)	Note
(a)	(b)	(c)	(d)	(e)	
Revenue					
Transportation Revenue	300	70,044	68,624	1,420	
Special Charge & Incentive Settlement		2,008	2,014	(7)	
Total Revenue		<u>72,052</u>	<u>70,638</u>	<u>1,414</u>	
Operating Expenses					
Salaries, Wages & Benefits	301	2,836	3,132	(296)	(1)
Fuel & Power	301	350	469	(119)	
Emissions Compliance Costs	301	3,035	2,756	279	(2)
Other Operating & Maintenance	301	12,307	10,194	2,113	(3)
Depreciation & Amortization	303-304	17,579	17,691	(113)	
Income Taxes	306	7,018	6,902	115	
Taxes Other than Income	305	7,289	7,110	179	
Fuel Tax	305	2,813	2,733	80	
NEB & NPA Cost Recovery	301	1,597	1,189	408	(4)
Total Operating Expenses		<u>54,823</u>	<u>52,176</u>	<u>2,646</u>	
Operating Income		17,229	18,462	(1,233)	
Financial Charges		7,263	8,442	(1,179)	(5)
Special Charge & Incentive Settlement		2,008	2,014	(7)	
Equity Return		<u>7,958</u>	<u>8,005</u>	<u>(47)</u>	
Return on Rate Base		5.91%	6.35%		
Return on Common Equity		8.57%	8.57%		
Average Rate Base		257,537	259,006		

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

Note:

- 1) Variance is primarily due to lower field operations and maintenance activity and lower IS support services than forecast.
- 2) Emissions Compliance Costs were higher than forecast due to a higher weighted average tax rate.
- 3) Variance is primarily due to higher pipeline maintenance activity than forecast.
- 4) NEB Cost Recovery was greater than forecast primarily because the final 2009 cost recovery charge included a larger than expected adjustment for the difference between the estimated and actual 2007 cost recovery charges applicable to Foothills.
- 5) Variance is due to lower unfunded debt costs.

FOOTHILLS PIPE LINES (SASK) LTD. - ZONE 9
INCOME SUMMARY
(For Twelve Months Ended December 31, 2009)
(\$000)

Particulars	NEB Accounts	Period Actual	Decision	Variance (c) - (d)	Note
(a)	(b)	(c)	(d)	(e)	
Revenue					
Transportation Revenue	300	54,083	56,062	(1,979)	
Special Charge & Incentive Settlement		1,015	1,057	(42)	
Total Revenue		<u>55,098</u>	<u>57,119</u>	<u>(2,021)</u>	
Operating Expenses					
Salaries, Wages & Benefits	301	1,058	1,169	(111)	
Fuel & Power	301	508	744	(236)	(1)
Other Operating & Maintenance	301	7,240	6,756	484	(2)
Depreciation & Amortization	303-304	18,060	18,044	17	
Income Taxes	306	8,165	8,108	57	
Taxes Other than Income	305	2,892	3,309	(417)	(3)
Fuel Tax	305	522	1,247	(725)	(4)
NEB & NPA Cost Recovery	301	596	444	152	
Total Operating Expenses		<u>39,042</u>	<u>39,821</u>	<u>(779)</u>	
Operating Income		16,056	17,298	(1,243)	
Financial Charges		7,193	8,388	(1,195)	(5)
Special Charge & Incentive Settlement		1,015	1,057	(42)	
Equity Return		<u>7,848</u>	<u>7,854</u>	<u>(6)</u>	
Return on Rate Base		5.92%	6.39%		
Return on Common Equity		8.57%	8.57%		
Average Rate Base		253,998	254,179		

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

Note:

- 1) Variance is due to lower than forecast throughput and lower power prices.
- 2) Variance is due to higher maintenance and repair & overhaul activity than forecast.
- 3) Variance is due property tax rates increasing less than forecast.
- 4) Variance is primarily due to lower fuel use and cost of fuel resulting in lower fuel tax.
- 5) Variance is due to lower unfunded debt costs.

FOOTHILLS PIPE LINES LTD. - Zone 6
AVERAGE RATE BASE
(For Twelve Months Ended December 31, 2009)
(\$000's)

Particulars	Period Actual	Decision	Variance (b) - (c)	Note
(a)	(b)	(c)	(d)	
Plant in Service				
Net Plant	167,885	167,882	3	
Contributions in Aid of Construction	(990)	(990)	-	
Total Plant	<u>166,895</u>	<u>166,892</u>	<u>3</u>	
Working Capital				
Linepack	2,502	2,644	(142)	
Prepayments and Deposits	436	436	-	
Cash	3,554	5,821	(2,267)	(1)
Inventory	917	942	(26)	
Total Working Capital	<u>4,907</u>	<u>7,200</u>	<u>(2,293)</u>	
Total Average Rate Base	<u>174,304</u>	<u>176,736</u>	<u>(2,432)</u>	

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

Note:

- 1) Variance is due to lower electric power costs and lower field operation and maintenance activity than forecast.

FOOTHILLS PIPE LINES LTD. - Zone 7
AVERAGE RATE BASE
(For Twelve Months Ended December 31, 2009)
(\$000's)

Particulars	Period Actual	Decision	Variance (b) - (c)	Note
(a)	(b)	(c)	(d)	
Plant in Service				
Net Plant	17,249	17,249	-	
Contributions in Aid of Construction	-	-	-	
Total Plant	17,249	17,249	-	
Working Capital				
Linepack	1,039	1,039	-	
Prepayments and Deposits	-	-	-	
Cash	273	261	12	
Inventory	-	-	-	
Total Working Capital	273	261	12	
Total Average Rate Base	18,561	18,549	12	

* 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, 2009)
(\$000's)

Particulars	Period Actual	Decision	Variance (b) - (c)	Note
(a)	(b)	(c)	(d)	
Plant in Service				
Net Plant	252,611	254,007	(1,396)	(1)
Contributions in Aid of Construction	(1,712)	(1,708)	(5)	
Total Plant	<u>250,899</u>	<u>252,299</u>	<u>(1,400)</u>	
Working Capital				
Linepack	1,473	1,473	-	
Prepayments and Deposits	-	-	-	
Cash	2,867	2,831	36	
Inventory	2,298	2,403	(106)	
Total Working Capital	<u>5,165</u>	<u>5,234</u>	<u>(69)</u>	
Total Average Rate Base	<u>257,537</u>	<u>259,006</u>	<u>(1,469)</u>	

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

Note:

1) Primarily due to change in scope and timing of pipeline maintenance project included in forecast.

FOOTHILLS PIPE LINES LTD. - Zone 9
AVERAGE RATE BASE
(For Twelve Months Ended December 31, 2009)
(\$000's)

Particulars	Period Actual	Decision	Variance (b) - (c)	Note
(a)	(b)	(c)	(d)	
Plant in Service				
Net Plant	250,059	250,128	(69)	
Contributions in Aid of Construction	(252)	(252)	-	
Total Plant	<u>249,807</u>	<u>249,876</u>	<u>(69)</u>	
Working Capital				
Linepack	2,243	2,461	(218)	(1)
Prepayments and Deposits	-	-	-	
Cash	1,175	1,137	38	
Inventory	772	705	68	
Total Working Capital	<u>1,948</u>	<u>1,842</u>	<u>68</u>	
Total Average Rate Base	<u>253,998</u>	<u>254,179</u>	<u>(2)</u>	

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

Note:

1) Variance is due to a higher ending 2008 linepack balance assumed in 2009 forecast.

FOOTHILLS PIPE LINES LTD.
THROUGHPUT DETAIL
(For Twelve Months Ended December 31, 2009)
(TJ)

Particulars (a)	Service	Zone	2009 Actual (b)	2009 Forecast ⁽¹⁾ (c)	Variance (b-c) (d)	Note
Canadian Volumes:	FT	8	34,031	-	34,031	(2)
	STFT	8	-	-	-	
	IT	8	786	-	786	(2)
Export Volumes:	FT	8	694,941	827,492	(132,551)	(3)
	STFT	8	21,300	7,592	13,708	(3)
	IT	8	16,631	1,016	15,615	(3)
Total Volumes:			767,689	836,100	(68,411)	
Canadian Volumes:	SGS-1	9	59	43	16	
Export Volumes:	FT	9	175,656	204,013	(28,358)	(3)
	STFT	9	239,030	254,770	(15,740)	(3)
	IT	9	104,568	119,564	(14,996)	(3)
Total Volumes:			519,313	578,390	(59,077)	
Other Volumes:	FT	6				(4)
	FT	7				(4)

Note:

- 1) Forecast prepared based on contracts as at November 2008.
- 2) The forecast for Canadian volumes were included in the forecast for export volumes.
- 3) Throughput is dependent on customer contracting behaviours and market conditions and therefore can show variances.
- 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, 2009)
(\$000)

Particulars	Period Actual	Decision	Variance (b) -(c)	Note
(a)	(b)	(c)	(d)	
Salaries & Wages				
Total Regular Salaries & Wages	7,149	7,640	(491)	(1)
Incentive compensation, ancillary and other	3,505	3,511	(6)	
Total Gross Salaries	10,654	11,151	(497)	
Charged to Construction & Other	<u>(1,873)</u>	<u>(1,399)</u>	<u>(474)</u>	(2)
Gross Salaries Charged to Cost of Service	<u>8,781</u>	<u>9,752</u>	<u>(971)</u>	
Employee Benefits				
Total Benefits	2,288	2,445	(157)	
Charged to Construction & Other	<u>(341)</u>	<u>(348)</u>	<u>7</u>	
Benefits Charged to Cost of Service	<u>1,947</u>	<u>2,097</u>	<u>(150)</u>	

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

Note:

- 1) Variance is primarily due to lower field operations and maintenance activity and IS support services than forecast.
- 2) Variance is due to higher charge-outs to capital projects than forecast.

FOOTHILLS PIPE LINES LTD.
PAYROLL STATISTICS
Average Allocated Employees
(For Twelve Months Ended December 31, 2009)

Particulars	Period Actual	Decision	Variance (b) -(c)	Note
(a)	(b)	(c)	(d)	
Total Regular Employees	75	81	(6)	
Charged to Construction & Other	<u>(12)</u>	<u>(9)</u>	<u>(3)</u>	(1)
Employees Charged to Cost of Service	<u>63</u>	<u>72</u>	<u>(9)</u>	

Note:

1) Variance is due to higher charge-outs to capital projects than forecast.

**FOOTHILLS PIPE LINES LTD.
DEFERRAL ACCOUNTS
(For Twelve Months Ended December 31, 2009)**

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>2005</u> *	<u>2006</u> *	<u>2007</u>	<u>2008</u>	<u>2009</u>	Note
A. Total Revenue Requirement per Throughput Km (\$/10 ⁶ m ³ -km)	9.0	10.0	11.0	11.7	12.7	
B. Operating Expenses per Throughput Km (\$/10 ⁶ m ³ -km)	4.8	5.6	7.2	7.2	8.2	
C. Operating Expenses per Average Gross Plant in Service (%)	5.3%	6.2%	7.8%	7.0%	7.4%	
D. Administrative and General Expenses per Employee (\$'000s) In this measure employees include salaried and contract personnel.	169.7	197.6	198.3	210.2	193.9	
E. Administrative and General Expenses per Throughput Km (\$/10 ⁶ m ³ -km)	0.5	0.5	0.8	0.8	0.8	
F. Net Plant per Throughput Km (\$/10 ⁶ m ³ -km)	42.7	40.5	40.3	43.1	43.6	
G. Throughput Km per Employee (10 ⁶ m ³ -km)	337,909	397,459	263,437	268,702	251,749	
H. Fuel and Power Costs per Throughput Km (\$/10 ⁶ m ³ -km)	0.51	0.49	0.53	0.63	0.64	
I. Average Salary per Employee (\$'000s) In this measure employees excludes contract personnel directly involved in the operation of Foothills.	85.2	88.5	92.7	97.4	100.5	(1)
J. Average Benefits per Employee (\$'000s) In this measure employees excludes contract personnel directly involved in the operation of Foothills.	32.1	33.1	33.2	31.4	27.4	(1)
K. Actual and Approved Rates of Return on Equity	9.46%	8.88%	8.46%	8.71%	8.57%	
L. Actual Rate of Return on Rate Base	6.27%	6.01%	6.30%	6.39%	5.92%	
Approved Rate of Return on Rate Base	6.21%	6.01%	6.30%	6.39%	6.37%	

Note:

* Performance measures in years prior to 2007 may not be comparable due to the integration of the B.C. System in 2007.

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

FOOTHILLS PIPE LINES LTD.
INTERCORPORATE TRANSACTIONS
(For Twelve Months Ended December 31, 2009)

- Summary Receipts -

Contracting Party	Nature of Service	(\$000)	Ref. Sch.#
NOVA Gas Transmission Ltd.	Transportation Service	97,460	8.1
Grand Total		97,460	

FOOTHILLS PIPE LINES LTD.
INTERCORPORATE TRANSACTIONS
(For Twelve Months Ended December 31, 2009)
(\$000)

- Receipts -

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	97,460

FOOTHILLS PIPE LINES LTD.
INTERCORPORATE TRANSACTIONS
 (For Twelve Months Ended December 31, 2009)

- Summary Payments -

Contracting Party	Nature of Service	(\$000)	Ref. Sch.#
TransCanada Calibrations	System Maintenance	2	8.3
TransCanada Pipelines Limited	Interest Payments	19,568	8.3
TransCanada Turbines	Repair and Overhaul	1,948	8.3
Gas Transmission Northwest Corporation	Gas Nominations & Scheduling Service	288	8.3
Grand Total		21,807	

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

FOOTHILLS PIPE LINES LTD.
INTERCORPORATE TRANSACTIONS
 (For Twelve Months Ended December 31, 2009)
 (\$000)

- Payments -

Contracting Parties: TransCanada Calibrations

Nature Of Service: System Maintenance

Description: System Maintenance

	System Maintenance
Amount	2

Contracting Parties: TransCanada PipeLines Limited

Nature Of Service: Interest Payments

Description: Interest payments on Long-term Debt

	Interest Payments
Amount	19,568

Contracting Parties: TransCanada Turbines

Nature Of Service: Repair and Overhaul

Description: Repair and Overhaul of Compressor Units

	Repair and Overhaul
Amount	1,948

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	288