

# Presentation Revised Nov 1, 2017



- **Slide 18** was added to reflect a question posed by a shipper at the meeting
- **Slide 19** was added to identify a shipper request to change a service attribute on the Foothills System



# Preliminary 2018 Rates and Abandonment Surcharge

## Foothills Shipper Meeting

October 18, 2017

For Discussion Purposes with Foothills Shippers



# Agenda



- **Cost of Capital**
- **Foothills Zone 8**
  - Costs and Revenue
  - Rule of Thumb
  - Waste Heat Update
- **Foothills Zone 9**
  - Costs and Revenue
  - Rule of Thumb
- **Abandonment Surcharge**
- **Filing Timeline**

# Introduction



- Currently under 2017 Effective Rates
- Foothills Pipelines Ltd. will be filing 2018 Rates to be effective on January 1, 2018
  - 2018 Abandonment Surcharges will also be addressed
- Foothills Effective Rates are based on:
  - 2018 forecast of contracts / throughput
  - 2018 forecast of costs
  - 2017 projected deferrals

# Cost of Capital



## For 2017 rates,

- Foothills cost of capital was established at 10.1% ROE on 40% deemed equity

## For 2018 rates,

- Foothills proposes to continue the current cost of capital parameters, as first approved in Order TG-011-2013

# Overview of Zone 8 (BC)



## The Revenue Requirement:

- 2018 - \$71.9 Million (2017 Rate Filing: \$73.5 Million)
- After adjustments for (over)/under:  
2018 - \$65.3 Million (2017 Rate Filing: \$64.7 Million)

## Total Firm Contract:

- 2018 – 2,358 TJ/d (2017 Rate Filing: 2,357 TJ/d)

## Total Throughput:

- 2018 – 2,341 TJ/d (2017 Rate Filing: 2,337 TJ/d)

## Results in an FT Rate of:

- 2018 – 7.3 ¢/GJ (2017 Rate: 7.0 ¢/GJ)

## Zone 8 – Costs and Revenue (\$000)



	2017 Rate Filing	2018 Preliminary	Difference
<b>Cost</b>			
O&M	15,807	14,580	(1,227)
Return & Depr	29,115	29,470	355
Taxes (income + Other)	28,541	27,877	(664)
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	73,463	71,927	(1,536)
<b>Adjustments</b>			
Previous (Over) Under	(8,801)	(6,587)	2,214
<b>Total</b>	<hr/>	<hr/>	<hr/>
	64,662	65,340	678
<b>Other Revenue</b>			
STFT	(1,397)	(813)	584
IT	(2,854)	(1,662)	1,192
	<hr/>	<hr/>	<hr/>
<b>Firm Rev Rqmt<sup>1</sup></b>	60,411	62,865	2,454

1. Totals may not add due to rounding

# Zone 8 - Contract and Throughput (TJ/d)



	2017	2018	
	Toll Filing	Preliminary	Difference
<b>Firm Contract Demand<sup>1</sup></b>	2,357	2,358	1
<b>Throughput to Services:</b>			
Firm Volumes	2,181	2,254	73
STFT Volumes	55	31	(24)
Interruptible Volumes	101	57	(44)
<b>Total<sup>2</sup></b>	<u>2,337</u>	<u>2,341</u>	<u>4</u>

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



## Zone 8 2018 Rate Sensitivity – Rule of Thumb



**A \$1 million dollar increase (decrease) in revenue requirement results in approximately a 0.11¢/GJ increase (decrease) in the average FT rate**

**A 100 TJ/d increase (decrease) in contract level results in approximately a 0.29¢ decrease (increase) in the average FT rate**

# Zone 8 – Waste Heat



- Power plant commenced operations in December 2012 using recovered heat to produce electricity
- Foothills receives a heat access payment which is shared 50-50 between Foothills and Zone 8 Shippers
- OM&A Credits to Zone 8 Shippers:

	Heat Access	Backpressure and Land Lease	Total
<b>2014</b>	\$173k	\$18k	\$191k
<b>2015</b>	\$161k	\$14k	\$175k
<b>2016</b>	\$233k	\$22k	\$256k
<b>2017 (Jan-Aug)</b>	\$161k	\$22k	\$183k

- Waste heat recovery was not operating Dec 2014 – Apr 2015

# Overview of Zone 9 (SK)



## The Revenue Requirement:

- 2018 - \$44.2 Million (2017 Rate Filing: \$50.8 Million)
- After adjustments for (over)/under:  
2018 - \$40.6 Million (2017 Rate Filing: \$46.5 Million)

## Total Throughput:

- 2018 – 1,753 TJ/d (2017 Rate Filing: 1,834 TJ/d )

## Results in an FT Rate of:

- 2018 – 6.6 ¢/GJ (2017 Rate: 7.5 ¢/GJ)

## Zone 9 - Costs and Revenue (\$000)



	2017 Toll Filing	2018 Preliminary	Difference
<b>Cost</b>			
O&M	11,936	7,940	(3,996)
Return & Depr	27,520	26,070	(1,450)
Taxes (income + Other)	11,297	10,222	(1,075)
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	50,753	44,232	(6,521)
<b>Adjustments</b>			
Previous (Over) Under	(4,270)	(3,587)	683
<b>Total</b>	<hr/>	<hr/>	<hr/>
	46,483	40,645	(5,838)
<b>Other Revenue</b>			
STFT	(21,851)	(2,618)	19,233
IT & SGS	(10,257)	(26,093)	(15,836)
	<hr/>	<hr/>	<hr/>
<b>Firm Rev Rqmt<sup>1</sup></b>	14,376	11,934	(2,442)

1. Totals may not add due to rounding

# Zone 9 - Contracts and Throughput (TJ/d)



	2017	2018	
	Toll Filing	Preliminary	Difference
<b>Firm Contract Demand<sup>1</sup></b>	673	671	(2)
<b>Throughput to Services:</b>			
Firm Volumes	669	636	(33)
STFT Volumes	791	109	(682)
Interruptible Volumes	374	1009	635
<b>Total<sup>2</sup></b>	1834	1,754	(80)

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

# Zone 9 2018 Rate Sensitivity – Rule of Thumb



**A \$1 million dollar increase (decrease) in revenue requirement results in approximately a 0.16¢/GJ increase (decrease) in the FT rate**

**A 100 TJ/d increase (decrease) in throughput results in approximately a 0.37¢ /GJ decrease (increase) in the FT rate**

# Abandonment Surcharges



## Based on updated forecast of 2018 Billing Determinants

- Annual Collection Amount \$8.8 million, unchanged
  - Additional ~\$290k for Tax True-Up
- Totals \$9.1M for abandonment surcharge calculation
- Applicable to all Foothills Zones
  - NGTL pays Zone 6 & 7 Surcharges

## 2018 Abandonment Collection

- Daily Abandonment Surcharge 0.31 ¢/GJ
- Monthly Abandonment Surcharge 9.42 ¢/GJ

## 2017 Abandonment Collection (For Comparison)

- Daily Abandonment Surcharge 0.30 ¢/GJ
- Monthly Abandonment Surcharge 9.23 ¢/GJ

# Abandonment Surcharges



## Breakdown of Abandonment Billing Determinants

	Total	Zone 6	Zone 7	Zone 8	Zone 9
Billing Determinants (GJ/year)	2,935,326,552	815,002,660	574,942,525	892,461,202	652,920,165
Percentage of Total BDs	100%	27.9%	19.6%	30.4%	22.2%



# Filing Timeline



- **Presentation material will be posted on Customer Express for October 16, 2017 with notification by NrG Bulletin**
- **Review of 2018 preliminary rates at the October 18, 2017 Foothills Shipper Meeting**
- **In the event of changes to the 2018 preliminary rates, updates will be posted on Customer Express with email and NRG notifications:**  
  
<http://www.transcanada.com/customerexpress/935.html>
- **Foothills intends to file for 2018 effective rates and 2018 abandonment surcharges by the end of October**

# Shipper Questions



- **In reference to slide 11, a shipper asked for expected volumes that will be delivered intra-Saskatchewan?**
  - Answer – 240 TJs of contracts have been signed, utilization is dependent on customer activity

# Shipper Questions (cont.)



- **A shipper requested that Zone 9 renewal rights be amended to be identical to renewal rights on Zone 8**
- **Changing this service attribute would require a tariff change, and Foothills would like to discuss this collaboratively with shippers**
- **Foothills will schedule additional shipper meetings in early 2018 to address this potential tariff change in a collaborative manner**

# 2018 Preliminary Rates - Contacts



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# 2018 Foothills Deferral Breakdown



## Zone 8

(\$'000s)	2017 Filing Forecast	Updated 2017 Forecast	Variance
Costs	73,463	71,956	(1,507)
Revenues	(64,662)	(64,567)	95
Interest on Collection Variance	-	(25)	(25)
Prior Year Adjustments	(13,544)	(18,694)	(5,150)
<b>Forecasted 2017 Deferral into 2018</b>			<b>(6,587)</b>

## Zone 9

(\$'000s)	2017 Filing Forecast	Updated 2017 Forecast	Variance
Costs	50,753	49,801	(952)
Revenues	(46,483)	(46,688)	(205)
Interest on Collection Variance	-	(20)	(20)
Prior Year Adjustments	(7,522)	(9,932)	(2,410)
<b>Forecasted 2017 Deferral into 2018</b>			<b>(3,587)</b>