



Foothills System 2007 Rates



2007 Forecast Key Notes



- **The Foothills system will be filing for:**
 - The transfer of TransCanada's B.C system into Foothills Zone 8 and corresponding rates
- **The Foothills system will use:**
 - Return on equity based on NEB formula (8.46% for 2007)
 - Composite depreciation rates of 3.00% for Zone 9 and 3.18% for Zone 8
- **For Zones 8 & 9, forecasted STFT and interruptible revenues have been included in the rate calculation.**
- **Rates on the Foothills system reflect the amendment to the G&A Settlement**



Overview of Zone 9 2007 Revenue Requirement



The Revenue Requirement (\$millions):

- 2007 - \$65.0 (2006 Budget: \$69.8)

Total Throughput change:

- 2007 – 2,086 TJ/d (2006 Budget: 2,153 TJ/d)

Results in an FT Rate of (¢/GJ):

- 2007 – 8.3 ¢/GJ (2006 Budget: 8.6 ¢/GJ)

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Review of 2006 Zone 9 Costs and Revenue, (\$000)



	2006 BUDGET	2006 ¹ FORECAST	Difference	%
Cost				
O&M	10,122	10,423	301	
Return & Depr.	38,241	37,407	(834)	
Taxes (Income + Other)	18,675	15,641	(3,034)	
Special Charge	581	581	0	
	<u>67,619</u>	<u>64,051</u>	<u>(3,567)</u>	
Adjustments				
Previous (Over) Under	2652	2652	-	
G&A Settlement	(481)	(437)	44	
Total²	<u>69,790</u>	<u>66,266</u>	<u>(3,523)</u>	(5%)
Other Revenue				
STFT	(12,870)	(10,596)	2,274	
IT & SGS	(9,646)	(11,013)	(1,367)	
Firm Rev Rqmt²	<u>47,274</u>	<u>44,657</u>	<u>(2,616)</u>	(6%)

1. Based on most recent forecast available.
2. Totals may not add due to rounding.

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Zone 9 - 2007 Forecasted Costs and Revenue (\$'000)



	2006 ¹	2007	Difference	%
	FORECAST	BUDGET		
Cost				
O&M	10,423	15,684	5,261	
Return & Depr.	37,407	36,580	(826)	
Taxes (Income + Other)	15,641	14,251	(1,389)	
Special Charge	581	371	(211)	
	64,051	66,886	2,834	
Adjustments				
(Over) / Under	2,652	(1,453)	(4,105)	
G&A Settlement	(437)	(416)	21	
Total ²	66,266	65,017	(1,250)	(2%)
Other Revenue				
STFT	(10,596)	(23,310)	(12,715)	
IT & SGS	(11,013)	(10,756)	257	
Firm Rev Rqmt ²	44,657	30,950	(13,707)	(31%)

1. Based on most recent forecast available.
2. Totals may not add due to rounding.

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Zone 9 - MDQ and Throughput (TJ/d)



	2006	2007	Difference	%
	BUDGET	BUDGET		
Firm Contract Demand ¹	1,500	1,018	(482)	(32%)
Throughput to Services:				
Firm Volumes (98% LF)	1,466	998	(468)	(32%)
STFT Volumes (100% LF)	409	766	358	88%
Interruptible Volumes	278	322	43	16%
Total ²	2,153	2,086	(67)	(3%)

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

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Zone 9 - Analysis of 2007 Proposed Rates



Rate Model Input	Net Change (\$000)	Rate (¢/GJ)	Difference (%)
2006 Firm Rev Rqmt	47,274	8.6	-
Impact :			
O&M	5,562	1.0	12%
(Over) / Under	(4,105)	(0.7)	(9%)
Taxes (Income + Other)	(3,523)	(0.6)	(7%)
Other Rev Rqmt	(12,596)	(2.3)	(27%)
Return & Depr.	(1,661)	(0.3)	(4%)
Firm Contracts	-	2.7	31%
2007 Firm Rev Rqmt ¹	30,950	8.3	(4%)

1. Totals may not add due to rounding.

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Zone 9 Rate Sensitivity – Rule of Thumb



- A \$1 million dollar increase (decrease) in revenue requirement results in approx. a 0.1¢/GJ increase (decrease) in the Firm Transportation rate.
- A 100 TJ/d increase (decrease) in IT throughput results in approx. a 0.5¢/GJ decrease (increase) in the Firm Transportation rate.
- A \$2 million increase (decrease) in revenue requirement and a 100 TJ/d decrease (increase) in throughput results in an approx. 10% increase (decrease) to rates.

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Overview of Zone 8 2007 Revenue Requirement



The Revenue Requirement (\$millions):

- 2007 - \$69.9 (2006 Budget: \$68.9)

Total firm contract change:

- 2007 – 2,516 TJ/d (2006 Budget: 2,697 TJ/d)

Results in a FT Rate of (¢/GJ):

- 2007 – 7.5 ¢/GJ (2006 Budget: 7.0 ¢/GJ)

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Review of 2006 – BC System Costs and Revenue, (\$000)



	2006 Budget	2006 Forecast	Difference	%
Costs				
O&M	14,297	15,073	776	
NEB Cost Recovery	3,002	3,037	35	
Compressor, Fuel Tax	2,079	2,111	32	
Property Tax, LCT	4,172	4,039	(133)	
Return + Depreciation	25,564	25,490	(74)	
Foothills TBO	22,225	22,225	-	
	71,339	71,975	636	
Adjustments				
Prior year adjustment	(2,483)	(2,483)	-	
	68,855	69,492	636	1%
Revenue				
STFS	(7)	(365)	(358)	
Interruptible	(49)	(773)	(724)	
Other	(2)	(2)	0	
Total	(58)	(1,140)	(1,082)	
TOTAL Rev. Rqmt.:	<u>68,797</u>	<u>68,352</u>	<u>(445)</u>	(1%)

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Zone 8 – BC System - 2007 Forecasted Costs and Revenue (\$000)



	2006 ¹	2007	Difference	%
	FORECAST	BUDGET		
Cost				
O&M	23,682	23,493	(189)	
Return & Depr.	38,461	36,905	(1,557)	
Taxes (Income + Other)	10,294	9,661	(633)	
Special Charge	295	601	306	
	72,732	70,659	(2,074)	(3%)
Adjustments				
(Over) / Under	(3,049)	(362)	2,687	
G&A Settlement	(191)	(411)	(220)	
Total ²	69,492	69,886	394	1%
Other Revenue				
STFT	(365)	(534)	(169)	
IT & Other Revenue	(775)	(753)	22	
Firm Rev Rqmt ²	68,352	68,599	247	0%

1. Based on most recent forecast available.
2. Totals may not add due to rounding.

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Zone 8- BC System - Analysis of 2007 Proposed Rates



Rate Model Input	Net Change (\$000)	Rate (¢/GJ)	Difference (%)
2006 Firm Rev Rqmt	68,797	7.0	-
Impact :			
O&M	654	0.1	1%
(Over) / Under	2,688	0.3	4%
Taxes (Income + Other)	(766)	(0.1)	(1%)
Other Rev Rqmt	(1,143)	(0.1)	(2%)
Return & Depr.	(1,631)	(0.2)	(3%)
Firm Contracts	-	0.5	7%
2007 Firm Rev Rqmt ¹	68,599	7.5	7%

1. Totals may not add due to rounding.

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Zone 8 Rate Sensitivity – Rule of Thumb



- A \$1 million dollar increase (decrease) in revenue requirement results in approximately 0.1¢/GJ increase (decrease) in the average Firm Transportation rate.
- A 100 TJ/d increase (decrease) in contract level results in approximately 0.3¢/GJ decrease (increase) in the average Firm Transportation rate.
- A \$1 million increase (decrease) in revenue requirement and a 100 TJ/d decrease (increase) in contracts results in an approximately 5% increase (decrease) to the average Firm Transportation rate.

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2007 Integration Filing and Rate Application Timeline



- Review 2007 preliminary rates at Shipper meetings
 - November 14th – Calgary
 - November 15th – San Francisco (cancelled)
 - November 16th - Houston
- Updated 2007 rate presentation available to customers by November 24th
 - Posted on web site with email notification:
http://www.transcanada.com/Foothills/industry_committee/index.html
http://www.transcanada.com/BC_System/industry_committee/index.html
- File transfer application on or before December 1, 2006
- Request that current 2006 rates continue into 2007 if no decision by January 1, 2007
- File for final 2007 rates after NEB decision (effective January 1, 2007)

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