



The Basis for 2013 Final Rates & 2014 Rates

Foothills Shipper Meeting

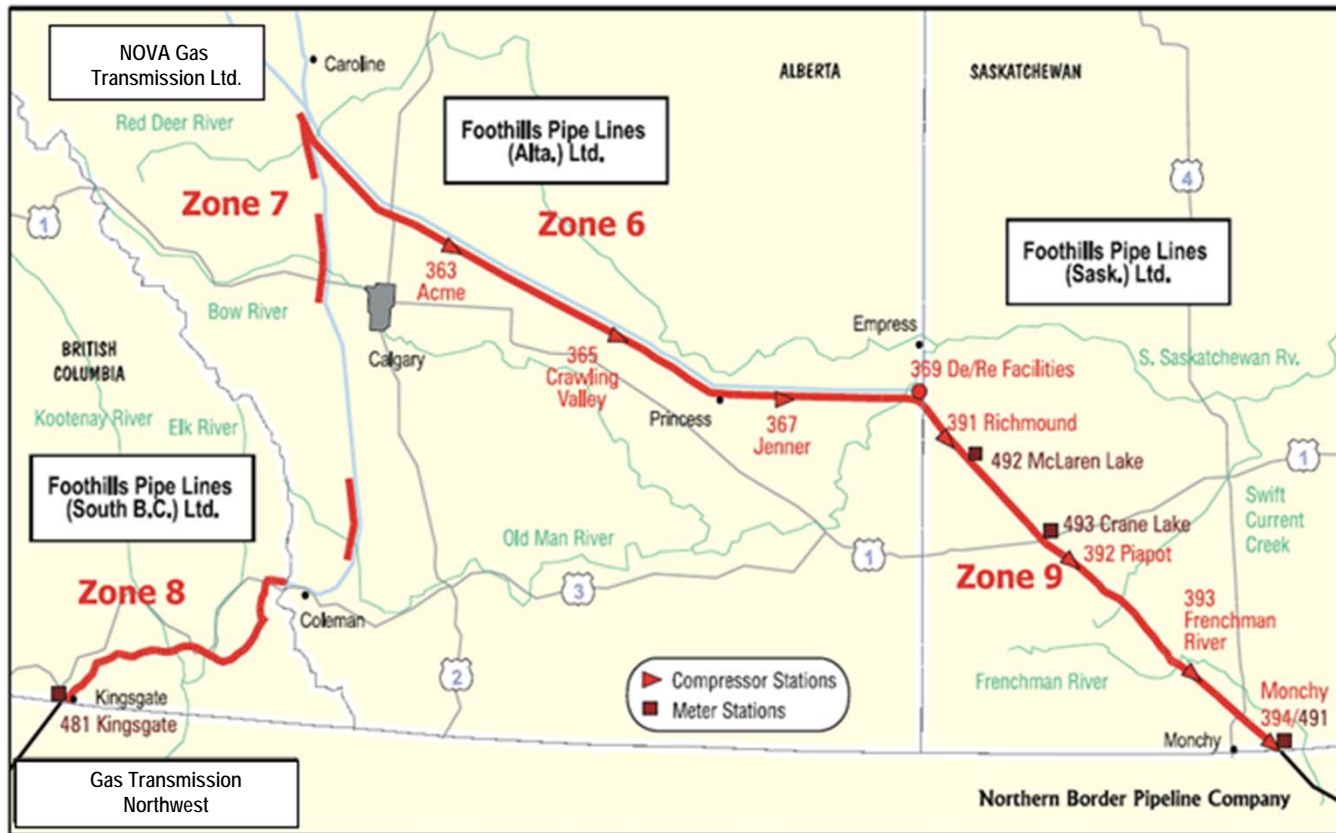
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Introduction – Foothills Rates



- Currently, Foothills Pipe Lines is on interim 2013 rates for Zones 6-9
- Final 2013 rates and effective 2014 rates are to be determined
- TransCanada is consulting with shippers on 2013 & 2014 Foothills rates



Provided to Foothills shippers without prejudice

Recent History



- **For interim 2013 rates, components of the Foothills revenue requirements were established based on the historic approach:**
 - G&A is established by the 2003-2015 settlement
 - Depreciation continues to be established using the existing approach
- **2010-2012 Foothills “Cost of Capital Agreement” expired on December 31, 2012**
 - Interim 2013 rates were established based on last approved cost of capital (9.70% return on equity (ROE) with a 40% deemed equity structure)
 - Foothills cost of capital matched that of the NGTL System
 - The term of the Cost of Capital Agreement also matched the term of the previous NGTL revenue requirement settlement
 - Recently, NGTL and its stakeholders reached a revenue requirement settlement for 2013 and 2014, including cost of capital

Proposal for 2013 & 2014 rates



- **Foothills is seeking to establish final 2013 rates and the basis for establishing effective 2014 rates**
- **Components of the revenue requirement continue to be established based on the historic approach:**
 - G&A continues to be established by the 2003-2015 Settlement
 - Depreciation continues to be established using the existing approach
 - Foothills cost of capital continues to match that of the NGTL System for 2013 and 2014 (10.1% ROE with 40% deemed equity)
- **If Foothills and shippers are generally aligned on the approach for 2013 and 2014 tolls, Foothills will file tolls with the National Energy Board (NEB)**
 - If there are outstanding commercial third-party concerns, Foothills would provide information on these concerns as part of the NEB rate filing
- **Benefits of achieving alignment on rates**
 - Increased certainty of costs and rates through 2014
 - Reduced regulatory process and costs associated with a litigated cost of capital application

Cost of Capital and the Foothills Revenue Requirements



- **The difference between the 2013 interim revenue requirements and the proposed revenue requirements:**
 - 2013 Zone 8 revenue requirement increases by \$422,000
 - 2013 Zone 9 revenue requirement increases by \$433,000
- **All else being equal, the 2014 revenue requirement difference for the cost of capital would be the same as 2013 for each zone**
- **The difference between the 2013 interim revenue requirement and the proposed revenue requirement is small**
 - ~1% change for Zones 8 and 9
- **As a result, Foothills proposes 2013 rates are finalized at interim levels and the difference for the cost of capital is included for collection in 2014**

Foothills Tolls “Rule-of-Thumb”



- We can use the 2013 rules-of-thumb to help illustrate the toll impact of changing costs
 - Zone 8: A \$1 million dollar increase (decrease) in revenue requirement results in approximately a 0.14¢/GJ increase (decrease) in the average Firm Transportation rate
 - Zone 9: A \$1 million dollar increase (decrease) in revenue requirement results in approximately a 0.15¢/GJ increase (decrease) in the Firm Transportation rate

| | 2013 Interim Revenue Requirement (C\$000) | Cost of Capital Adjustments (C\$000) | | ROT Toll Impact | | |
|---------------|---|--------------------------------------|-------------------|-----------------|-------------------|--------|
| | | 2013 Proposal | 2014 Illustrative | 2013 Proposal | 2014 Illustrative | Total |
| Zone 8 | 54,176 | 422 | 422 | +0.059¢ | +0.059¢ | +0.12¢ |
| Zone 9 | 27,578 | 433 | 433 | +0.065¢ | +0.065¢ | +0.13¢ |

Illustrative rate impacts due to cost changes



- Illustrative rate impacts are based on 2013 assumptions and the estimated ROE change. Future throughput changes, potential (over)/under collections, etc. are not accounted for in the rates shown below.

| | 2013 Interim rate (¢/GJ) | Toll Impact | |
|---------------|--------------------------------|---------------|-------------------|
| | | 2013 Proposal | 2014 Illustrative |
| Zone 8 | 7.6 | +0¢ | +0.12¢ |
| Zone 9 | 4.0 | +0¢ | +0.13¢ |

Summary – Foothills Rates



- Foothills is seeking to establish final 2013 rates and the basis for establishing effective 2014 rates
- The historic approach continues for components of the 2013 and 2014 revenue requirements including alignment of Foothills cost of capital and the NGTL System
- The difference between the 2013 interim revenue requirement and the proposed revenue requirement is small
- As a result, Foothills proposes 2013 rates are finalized at interim levels and the difference for the cost of capital is included in deferrals for collection in 2014
- The approach:
 - Allows 2013 rates to remain at current levels through year-end
 - Increases certainty regarding costs and rates through 2014

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