

Overview of Zone 9 2008 Revenue Requirement



The Revenue Requirement (\$millions):

- 2008 - \$60.3 (2007 Budget: \$65.0)

Total Throughput change:

- 2008 – 1,993 TJ/d (2007 Budget: 2,086 TJ/d)

Results in an FT Rate of (¢/GJ):

- 2008 – 8.0 ¢/GJ (2007 Budget: 8.3 ¢/GJ)

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Review of 2007 Zone 9 Costs and Revenue, (\$000)



| | 2007 BUDGET | 2007 ¹ FORECAST | Difference | % |
|----------------------------------|----------------|-------------------------------|----------------|------|
| Cost | | | | |
| O&M | 15,684 | 12,884 | (2,799) | |
| Return & Depr. | 36,580 | 35,974 | (606) | |
| Taxes (Income + Other) | 14,251 | 14,302 | 51 | |
| Special Charge | 371 | 581 | 211 | |
| | <u>66,886</u> | <u>63,742</u> | <u>(3,144)</u> | |
| Adjustments | | | | |
| Previous (Over) Under | (1,453) | (1,453) | 0 | |
| G&A Settlement | <u>(416)</u> | <u>(507)</u> | <u>(91)</u> | |
| Total² | <u>65,017</u> | <u>61,782</u> | <u>(3,235)</u> | (5%) |
| Other Revenue | | | | |
| STFT | (23,310) | (16,367) | 6,943 | |
| IT & SGS | (10,756) | (8,921) | 1,836 | |
| Firm Rev Rqmt² | <u>30,950</u> | <u>36,494</u> | <u>5,544</u> | 18% |

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

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Zone 9 - 2008 Forecasted Costs and Revenue (\$'000)



| | 2007 ¹ FORECAST | 2008 BUDGET | Difference | % |
|----------------------------------|-------------------------------|----------------|----------------|------|
| Cost | | | | |
| O&M | 12,884 | 11,019 | (1,865) | |
| Return & Depr. | 35,974 | 35,469 | (505) | |
| Taxes (Income + Other) | 14,302 | 12,856 | (1,447) | |
| Special Charge | 581 | 420 | (161) | |
| | <u>63,742</u> | <u>59,764</u> | <u>(3,978)</u> | |
| Adjustments | | | | |
| Previous (Over) / Under | (1,453) | 1,165 | 2,618 | |
| G&A Settlement | (507) | (622) | (115) | |
| Total² | <u>61,782</u> | <u>60,308</u> | <u>(1,474)</u> | (2%) |
| Other Revenue | | | | |
| STFT | (16,367) | (17,654) | (1,287) | |
| IT & SGS | (8,921) | (8,726) | 194 | |
| Firm Rev Rqmt² | <u>36,494</u> | <u>33,927</u> | <u>(2,567)</u> | (7%) |

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)



| | 2007 BUDGET | 2008 BUDGET | Difference | % |
|---|----------------|----------------|-------------|-------|
| Firm Contract Demand¹ | 1,018 | 1,159 | 141 | 14% |
| Throughput to Services: | | | | |
| Firm Volumes (97%LF) | 998 | 1,119 | 121 | 12% |
| STFT Volumes (100%LF) | 766 | 603 | (163) | (21%) |
| Interruptible Volumes | 322 | 271 | (51) | (16%) |
| Total² | <u>2,086</u> | <u>1,993</u> | <u>(93)</u> | (4%) |

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

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Zone 9 - Analysis of 2008 Proposed Rates



| Rate Model Input | Net Change (\$000) | Rate (¢/GJ) | Difference (%) |
|--|-----------------------|----------------|-------------------|
| 2007 Firm Rev Rqmt | 30,950 | 8.3 | - |
| Impact : | | | |
| O&M | (4,664) | (1.3) | (15%) |
| Return & Depr. | (1,111) | (0.3) | (4%) |
| Taxes (Income + Other) | (1,396) | (0.4) | (4%) |
| Previous (Over) / Under | 2,618 | 0.7 | 8% |
| Other Rev Rqmt | 7,530 | 2.0 | 24% |
| Firm Contracts | - | (1.0) | (12%) |
| 2008 Firm Rev Rqmt ¹ | 33,927 | 8.0 | (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 0.4¢ /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. 9% increase (decrease) to rates.

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Overview of Zone 8 2008 Revenue Requirement



The Revenue Requirement (\$millions):

- 2008 - \$82.1 (2007 Budget: \$69.9)

Total Firm Contract change:

- 2008 – 2,320 TJ/d (2007 Budget: 2,516 TJ/d)

Results in an FT Rate of (¢/GJ):

- 2008 – 9.2 ¢/GJ (2007 Budget: 7.5 ¢/GJ)

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Review of 2007 Zone 8 – Costs and Revenue, (\$000)



| | 2007 Budget | 2007 ¹ Forecast | Difference | % |
|-----------------------------------|----------------|-------------------------------|----------------|----|
| Costs | | | | |
| O&M | 21,012 | 28,292 | 7,280 | |
| Return & Depr. | 36,905 | 35,922 | (982) | |
| Taxes (Income + Other) | 12,142 | 12,607 | 465 | |
| Special Charge | 601 | 295 | (306) | |
| | <u>70,659</u> | <u>77,115</u> | <u>6,456</u> | |
| Adjustments | | | | |
| Previous (Over) Under | (362) | (362) | (0) | |
| G&A Settlement | (411) | (520) | (109) | |
| | <u>69,886</u> | <u>76,234</u> | <u>6,348</u> | 9% |
| Revenue | | | | |
| STFT | (534) | (1,472) | (938) | |
| Interruptible | (753) | (2,925) | (2,172) | |
| Total | <u>(1,288)</u> | <u>(4,398)</u> | <u>(3,110)</u> | |
| Firm Rev Rqmt ² | <u>68,599</u> | <u>71,836</u> | <u>3,237</u> | 5% |

1. Based on most recent forecast available.

2. Totals may not add due to rounding.

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Zone 8 – 2008 Forecasted Costs and Revenue (\$000)



| Costs | 2007 ¹ Forecast | 2008 Budget | Difference | % |
|-----------------------------------|-------------------------------|----------------|----------------|------|
| O&M | | | | |
| - Pipe Integrity | 7,252 | 5,600 | (1,652) | |
| - Other | 21,040 | 13,456 | (7,584) | |
| | <u>28,292</u> | <u>19,056</u> | <u>(9,236)</u> | |
| Return & Depr. | 35,922 | 35,435 | (487) | |
| Taxes (Income + Other) | 12,607 | 18,643 | 6,035 | |
| Special Charge | 295 | 555 | 260 | |
| | <u>77,115</u> | <u>73,689</u> | <u>(3,427)</u> | (4%) |
| Adjustments | | | | |
| Previous (Over) Under | (362) | 9,277 | 9,639 | |
| G&A Settlement | (520) | (833) | (314) | |
| | <u>76,234</u> | <u>82,132</u> | <u>5,899</u> | 8% |
| Revenue | | | | |
| STFT | (1,472) | (3,920) | (2,448) | |
| Interruptible | (2,925) | (266) | 2,659 | |
| Total | <u>(4,398)</u> | <u>(4,186)</u> | <u>211</u> | |
| Firm Rev Rqmt ² | <u>71,836</u> | <u>77,946</u> | <u>6,110</u> | 9% |

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

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Zone 8 - Analysis of 2008 Proposed Rates



| Rate Model Input | Net Change (\$000) | Rate (¢/GJ) | Difference (%) |
|--|-----------------------|----------------|-------------------|
| 2007 Firm Rev Rqmt | 68,599 | 7.5 | - |
| Impact : | | | |
| O&M | | | |
| - Pipe Integrity | 4,508 | 0.5 | |
| - Other | (6,464) | (0.7) | |
| | <u>(1,956)</u> | <u>(0.2)</u> | (3%) |
| Return & Depr. | (1,469) | (0.2) | (2%) |
| Taxes (Income + Other) | 6,500 | 0.7 | 9% |
| Previous (Over) / Under | 9,639 | 1.1 | 14% |
| Other Rev Rqmt | (3,367) | (0.4) | (5%) |
| Firm Contracts | - | 0.7 | 9% |
| | <u>-</u> | <u>0.7</u> | 9% |
| 2008 Firm Rev Rqmt ¹ | 77,946 | 9.2 | 23% |

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 approx. a 0.1¢/GJ increase (decrease) in the average Firm Transportation rate.
- A 100 TJ/d increase (decrease) in contract level results in approximately a 0.4¢ decrease (increase) in the average Firm Transportation rate.
- A \$2 million increase (decrease) in revenue requirement and a 100 TJ/d decrease (increase) in contracts results in an approximately 6% increase (decrease) to the average Firm Transportation rate.

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2008 Filing Timeline



- Review 2008 Preliminary Rates at Shipper meetings, starting November 14th
- Updated rate presentation available to customers the week of November 26th
 - Posted on web site with email notification:
http://www.transcanada.com/Foothills/industry_committee/index.html
- File for 2008 Effective Rates by November 30, 2007

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2008 Proposed Rates - Contacts



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