

Attachment 2

2004 Budget and 2003 Budget  
Operating and Maintenance Expenses  
February 2003

**FOOTHILLS PIPE LINES**

**REPORT TO THE NEB  
OF THE DIFFERENCE BETWEEN THE**

**2004 BUDGET**

**AND**

**2003 BUDGET**

**OPERATING AND MAINTENANCE EXPENSES**

**FEBRUARY 2004**

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**OPERATIONS & MAINTENANCE EXPENDITURES  
RECOVERED IN COST OF SERVICE  
(\$000's)**

<u>LINE</u>		<u>2004 BUDGET</u>	<u>2003 BUDGET</u>	<u>INCREASE/ (DECREASE)</u>
	<b>FIELD OPERATIONS EXPENSE</b>			
1	TCPL	5,346.6	5,346.5	0.1
2	BP CANADA	1,726.2	1,637.0	89.2
3		<u>7,072.8</u>	<u>6,983.5</u>	<u>89.3</u>
	<b>ELECTRIC POWER</b>			
4	Jenner, Acme and Crawling Valley	1,830.3	1,750.0	80.3
5	Decompression/Recompression at Empress	7,084.8	7,150.0	(65.2)
6	Saskatchewan	650.0	650.0	-
7		<u>9,565.1</u>	<u>9,550.0</u>	<u>15.1</u>
	<b>MAINTENANCE &amp; INTEGRITY PROGRAM</b>			
8	Inventory & Maintenance Parts	315.0	350.0	(35.0)
9	Maintenance Projects	5,932.6	6,546.0	(613.4)
10	Communications	195.3	160.0	35.3
11	Integrity Program	2,681.1	802.5	1,878.6
12		<u>9,124.0</u>	<u>7,858.5</u>	<u>1,265.5</u>
13	<b>AGREED AMOUNT OF FOOTHILLS' GENERAL &amp; ADMINISTRATIVE EXPENSES PURSUANT TO THE SETTLEMENT AGREEMENT DATED JANUARY 13, 2003</b>	13,367.3	12,978.0	389.3
14	<b>LAND PAYMENTS</b>	1,605.0	889.0	716.0
15	<b>INSURANCE &amp; PENSION OBLIGATIONS</b>	1,146.7	1,112.5	34.2
16	<b>GOVERNMENT AGENCY COST RECOVERY</b>	<u>3,418.7</u>	<u>3,463.6</u>	<u>(44.9)</u>
17	<b>TOTAL</b>	<u><u>45,299.5</u></u>	<u><u>42,835.0</u></u>	<u><u>2,464.5</u></u>

**OPERATIONS & MAINTENANCE EXPENDITURES  
RECOVERED IN COST OF SERVICE  
EXPLANATION OF DIFFERENCE BETWEEN THE  
2004 & 2003 BUDGET**

Foothills' 2004 budgeted operations and maintenance expenditures are \$2.5 million higher than 2003 budgeted operations and maintenance expenditures for these main reasons:

**FIELD OPERATIONS EXPENSE**

BP CANADA      2004 Budget reflects an overhead rate increase as well as a larger contingency allowance for unplanned maintenance.

**ELECTRIC POWER**

Jenner      The Jenner electric unit is a stand-by unit budgeted to run 10% of the time. The 2004 Budget is higher than the 2003 Budget due to anticipated higher power prices.

De/Re      Same power usage as 2003 Budget. The 2003 Budget assumed Foothills bought forward 14MW of power at an average cost \$46.70/MWH and in 2004 Foothills bought forward 14MW at \$45.30/MWH in 2004.

**MAINTENANCE & INTEGRITY PROGRAM**

Maintenance Projects      The 2004 Budget includes 3 engine overhauls whereas the 2003 Budget included overhauls of 2 engines and 2 turbines.

Integrity Program      2004 budgeted expense increase of \$1.9 million reflects a change in accounting policy from capitalizing to fully expensing of inline inspection runs. (Reasons described in the Cover Letter attached.)

**AGREED AMOUNT (Line 13)**

Budgeted General and Administrative costs are \$13.4 million in accordance with the Settlement Agreement Relating to Foothills' Gas Transportation Tariff Phase 1 and the Special Charge and Certain General and Administrative Expenses between CAPP and Foothills dated for reference the 13th day of January, 2003.

**LAND PAYMENTS**

Land payments budgeted expense increased by \$0.7 million due to a planned five year review of land values in Alberta. Land values, as estimated by TransCanada, are expected to increase by 40%, or \$330,000. The cost associated with the review process is estimated at \$385,000.

**OPERATIONS & MAINTENANCE EXPENDITURES  
RECOVERED IN COST OF SERVICE  
(\$000's)**

<u>LINE</u>		<u>2004 BUDGET</u>	<u>Foothills (Alta.)</u>		<u>Foothills (South B.C.)</u>	<u>Foothills (Sask.)</u>
			<u>Zone 6</u>	<u>Zone 7</u>	<u>Zone 8</u>	<u>Zone 9</u>
<b>FIELD OPERATIONS EXPENSE</b>						
1	TCPL	5,346.6	2,070.0	64.5	432.6	2,779.5
2	BP CANADA	1,726.2	1,726.2	-	-	-
3		<u>7,072.8</u>	<u>3,796.2</u>	<u>64.5</u>	<u>432.6</u>	<u>2,779.5</u>
<b>ELECTRIC POWER</b>						
4	Jenner, Acme and Crawling Valley	1,830.3	1,830.3	-	-	-
5	Decompression/Recompression at Empress	7,084.8	7,084.8	-	-	-
6	Saskatchewan	650.0	-	-	-	650.0
7		<u>9,565.1</u>	<u>8,915.1</u>	<u>-</u>	<u>-</u>	<u>650.0</u>
<b>MAINTENANCE &amp; INTEGRITY PROGRAM</b>						
8	Inventory & Maintenance Parts	315.0	157.5	-	-	157.5
9	Maintenance Projects	5,932.6	3,796.6	25.0	25.0	2,086.0
10	Communications	195.3	97.7	-	-	97.7
11	Integrity Program	2,681.1	307.7	729.3	412.5	1,231.6
12		<u>9,124.0</u>	<u>4,359.5</u>	<u>754.3</u>	<u>437.5</u>	<u>3,572.7</u>
13	<b>AGREED AMOUNT OF FOOTHILLS' GENERAL &amp; ADMINISTRATIVE EXPENSES PURSUANT TO THE SETTLEMENT AGREEMENT DATED JANUARY 13, 2003</b>	13,367.3	6,486.9	738.3	1,572.1	4,570.0
14	<b>LAND PAYMENTS</b>	1,605.0	900.0	600.0	5.0	100.0
15	<b>INSURANCE &amp; PENSION OBLIGATIONS</b>	1,146.7	556.5	63.3	134.9	392.0
16	<b>GOVERNMENT AGENCY COST RECOVERY</b>	3,418.6	1,659.0	188.8	402.1	1,168.8
17	<b>TOTAL</b>	<u><b>45,299.5</b></u>	<u><b>26,673.1</b></u>	<u><b>2,409.3</b></u>	<u><b>2,984.1</b></u>	<u><b>13,233.0</b></u>

**OPERATIONS & MAINTENANCE EXPENDITURES  
RECOVERED IN COST OF SERVICE  
(\$000's)**

<u>LINE</u>		<u>2003 BUDGET</u>	<u>Foothills (Alta.)</u>		<u>Foothills (South B.C.)</u>	<u>Foothills (Sask.)</u>
			<u>Zone 6</u>	<u>Zone 7</u>	<u>Zone 8</u>	<u>Zone 9</u>
	<b>FIELD OPERATIONS EXPENSE</b>					
1	TCPL	5,346.5	2,070.0	64.4	432.6	2,779.5
2	BP CANADA	1,637.0	1,637.0	-	-	-
3		<u>6,983.5</u>	<u>3,707.0</u>	<u>64.4</u>	<u>432.6</u>	<u>2,779.5</u>
	<b>ELECTRIC POWER</b>					
4	Jenner, Acme and Crawling Valley	1,750.0	1,750.0	-	-	-
5	Decompression/Recompression at Empress	7,150.0	7,150.0	-	-	-
6	Saskatchewan	650.0	-	-	-	650.0
7		<u>9,550.0</u>	<u>8,900.0</u>	<u>-</u>	<u>-</u>	<u>650.0</u>
	<b>MAINTENANCE &amp; INTEGRITY PROGRAM</b>					
8	Inventory & Maintenance Parts	350.0	175.0	-	-	175.0
9	Maintenance Projects	6,546.0	2,578.0	35.0	45.0	3,888.0
10	Communications	160.0	80.0	-	-	80.0
11	Integrity Program	802.5	370.3	19.4	191.2	221.6
12		<u>7,858.5</u>	<u>3,203.3</u>	<u>54.4</u>	<u>236.2</u>	<u>4,364.6</u>
13	<b>AGREED AMOUNT OF FOOTHILLS' GENERAL &amp; ADMINISTRATIVE EXPENSES PURSUANT TO THE SETTLEMENT AGREEMENT DATED JANUARY 13,2003</b>	12,978.0	6,462.5	735.5	1,561.3	4,218.7
14	<b>LAND PAYMENTS</b>	889.0	450.1	308.1	4.0	126.8
15	<b>INSURANCE &amp; PENSION OBLIGATIONS</b>	1,112.5	554.1	63.0	133.8	361.6
16	<b>GOVERNMENT AGENCY COST RECOVERY</b>	<u>3,463.5</u>	<u>1,724.8</u>	<u>196.3</u>	<u>416.6</u>	<u>1,125.8</u>
17	<b>TOTAL</b>	<u><b>42,835.0</b></u>	<u><b>25,001.8</b></u>	<u><b>1,421.7</b></u>	<u><b>2,784.5</b></u>	<u><b>13,627.0</b></u>

In the 2003 Budget submitted on March 11, 2003, the land payments were inadvertently allocated to the Zones on a volume/distance basis. The Budget has been restated above to reflect the land payments being charged directly to the proper zone.