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October 21, 2004

National Energy Board
444 Seventh Avenue S.W.
Calgary, Alberta T2P 0X8

By E-filing and Courier

Attention: Mr. Michel L. Mantha, Secretary

Dear Mr. Mantha:

**Re: Foothills Pipe Lines Ltd.
Zone 9 Interruptible Rates**

On September 30, 2004 Foothills made an application to the National Energy Board (Board) pursuant to Part IV of the *National Energy Board Act* for approval of certain modifications to the existing methodology for fixing tolls on the Foothills System and associated amendments to the Gas Transportation Tariff – Phase 1 as well as a number of other requests (the Application).

The existing interruptible (IT) rates (IT-1 and IT-2), approved by the Board in Order TG-6-2003, expire October 31, 2004. In its Application, Foothills had proposed to extend these rates for the period of November 1, 2004 to December 31, 2004 as a bridging mechanism to January 1, 2005 when rates for firm (T-1) and IT services for 2005 would become effective if the Application was approved. If the Application is not approved prior to October 31, 2004, Foothills will require IT rates to be in place for November and December and possibly beyond calculated in accordance with the existing toll methodology approved by the Board in Order TG-10-87, issued December 18, 1987.

Pursuant to the provisions of Order TG-10-87, Foothills hereby applies for approval of Zone 9 IT-1 and IT-2 rates of $\$1.646/10^3\text{m}^3/100\text{km}$ (12.1 ¢/Mcf) and $\$1.481/10^3\text{m}^3/100\text{km}$ (10.9 ¢/Mcf) respectively, to be effective November 1, 2004 until such time as the Application is approved or until October 31, 2005 whichever is earlier. Attachment 1 to this letter is a copy of the calculation of Foothills' IT-1 and IT-2 rates which is based upon the forecast cost of service for the period of November 1, 2004 to October 31, 2005, the applicable rate of return on common equity for 2004 and an average contracted level of T-1 service of $40.253 \times 10^6\text{m}^3/\text{day}$ over the forecast period. Attachment 2 is a copy of the Zone 9 Cost of Service for the period of November 1, 2004 to October 31, 2005.

Foothills is filing this application electronically by placing it in the electronic filing repository of the Board, and will notify its shippers and interested parties pursuant to Order TG-6-81 of the filing. Foothills will also post a copy on TransCanada's Foothills System website at:

http://www.transcanada.com/Foothills/regulatory/reg_filings/index.html.

Should the Board require additional information with respect to this application, please contact Carolyn Shaw at (403) 920-7172.

Yours truly,

Foothills Pipe Lines Ltd.

A wholly owned subsidiary of TransCanada PipeLines Limited



Céline Bélanger
Vice President, Regulatory Services

cc w/encls: Interested Parties – TG-6-81
Foothills Existing Firm and Interruptible Shippers

Attachment 1

Order No. TG-10-87

Zone 9 Interruptible Tolls

November 1, 2004 to October 31, 2005

**NATIONAL ENERGY BOARD
ORDER NO TG-10-87
ZONE 9 INTERRUPTIBLE TOLLS
NOVEMBER 1, 2004 TO OCTOBER 31, 2005**

Following is the derivation of the proposed Zone 9 Interruptible Toll for the period November 1, 2004 to October 31, 2005 and attached is the supporting Cost of Service information.

(a)	Total Cost of Service \$	56,369,249
(b)	Distance - 100 km	2.5897
(c)	Daily Maximum Receipt 10^3m^3	40,253.3
(d)	Number of Days	365
(e)	Annual Volume 10^3m^3 (c x d)	14,692,443
(f)	Line b x e	38,049,019

Interruptible Tolls:

(g)	Tier 1 (IT-1) =	$\frac{\text{Line a}}{\text{Line f} \times 90\%} = \$/10^3\text{m}^3/100\text{km}$	1.646
(h)	Tier 2 (IT-2) =	$\frac{\text{Line a}}{\text{Line f}} = \$/10^3\text{m}^3/100\text{km}$	1.481

Attachment 2

Foothills Pipe Lines (Sask.) Ltd.

Cost Of Service Summary - Zone 9

For the Period November 1, 2004 - October 31, 2005

FOOTHILLS PIPE LINES (SASK.) LTD.
 COST OF SERVICE SUMMARY - ZONE 9
 FOR THE PERIOD NOVEMBER 1, 2004 - OCTOBER 31, 2005
 (000's)

	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>TOTAL</u>
OPERATING MAINTENANCE EXPENSE	1,050	1,050	1,001	1,001	1,001	1,001	1,001	1,001	1,001	1,001	1,001	1,001	12,109
RETURN ON RATEBASE	2,090	2,084	1,705	1,701	1,694	1,690	1,684	1,680	1,674	1,670	1,667	1,662	21,001
DEPRECIATION - GPIS	1,484	1,485	1,485	1,485	1,485	1,485	1,485	1,485	1,487	1,487	1,488	1,488	17,829
DEPRECIATION - GENERAL PLANT	52	52	54	53	53	53	53	54	52	33	20	10	541
INCOME TAXES	(74)	(66)	(6)	(8)	(9)	(11)	(13)	(14)	(16)	(29)	(37)	(46)	(329)
IROR AMORTIZATION EXPENSE	31	31	31	31	31	31	31	31	31	31	31	31	372
TAXES - OTHER THAN INCOME TAXES (Includes Municipal Property & LCCT)	<u>389</u>	<u>380</u>	<u>354</u>	<u>354</u>	<u>354</u>	<u>354</u>	<u>354</u>	<u>354</u>	<u>354</u>	<u>354</u>	<u>354</u>	<u>354</u>	<u>4,309</u>
SUB-TOTAL (Phase I)	5,022	5,016	4,624	4,617	4,609	4,603	4,595	4,590	4,583	4,547	4,524	4,500	55,831
SPECIAL CHARGE (Phase II)	<u>45</u>	<u>45</u>	<u>45</u>	<u>45</u>	<u>45</u>	<u>45</u>	<u>45</u>	<u>45</u>	<u>45</u>	<u>45</u>	<u>45</u>	<u>45</u>	<u>538</u>
TOTAL COST OF SERVICE	<u>5,067</u>	<u>5,061</u>	<u>4,669</u>	<u>4,662</u>	<u>4,654</u>	<u>4,648</u>	<u>4,640</u>	<u>4,635</u>	<u>4,627</u>	<u>4,592</u>	<u>4,569</u>	<u>4,545</u>	<u>56,369</u>

FOOTHILLS PIPE LINES (SASK.) LTD. - ZONE 9
STATEMENT OF RATEBASE, RATE OF RETURN AND RETURN ON RATEBASE
FOR THE PERIOD NOVEMBER 1, 2004 - OCTOBER 31, 2005
(000's)

	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>AVG /</u> <u>TOTAL</u>
AVERAGE GPIS	593,504	593,786	594,084	594,179	594,207	594,242	594,278	594,309	594,321	594,535	594,772	594,836	594,254
AVERAGE IROR ADJUSTMENT	9,419	9,419	9,419	9,419	9,419	9,419	9,419	9,419	9,419	9,419	9,419	9,419	9,419
AVERAGE GENERAL PLANT	3,063	3,115	3,145	3,152	3,160	3,168	3,176	3,184	3,192	3,200	3,208	3,216	3,165
AVERAGE TRANSMISSION LINE PACK	1,946	1,946	1,947	1,949	1,949	1,949	1,949	1,949	1,949	1,947	1,946	1,946	1,947
LESS:													
AVERAGE ACCUM DEPRECIATION - GPIS	262,870	264,354	265,839	267,324	268,809	270,294	271,779	273,264	274,750	276,237	277,725	279,213	271,038
AVERAGE ACCUM DEPRECIATION - GEN PLANT	2,900	2,930	2,961	2,991	3,022	3,053	3,084	3,115	3,147	3,178	3,203	3,216	3,067
AVERAGE ACCUM IROR AMORTIZATION	8,262	8,293	8,324	8,355	8,386	8,417	8,448	8,479	8,510	8,541	8,572	8,603	8,433
CONTRIBUTIONS AND GRANTS	302	302	302	302	302	302	302	302	302	302	302	302	302
BEGINNING MONTH BALANCE OF DEFERRED INCOME TAX	<u>8,192</u>	<u>7,608</u>	<u>7,024</u>	<u>6,440</u>	<u>5,856</u>	<u>5,272</u>	<u>4,688</u>	<u>4,104</u>	<u>3,520</u>	<u>2,936</u>	<u>2,352</u>	<u>1,768</u>	<u>4,980</u>
SUB-TOTAL	325,406	324,779	324,146	323,287	322,360	321,440	320,521	319,597	318,652	317,908	317,191	316,315	320,967
ADD: WORKING CAPITAL ALLOWANCE													
In-Line Inspection (net)	821	464	142	122	101	80	60	39	19	-	-	-	154
150% of O&M and Transportation Costs	1,341	1,341	1,377	1,377	1,377	1,377	1,377	1,377	1,377	1,377	1,377	1,377	1,371
Opening Inventory	<u>1,529</u>	<u>1,529</u>	<u>1,529</u>	<u>1,529</u>	<u>1,302</u>	<u>1,302</u>	<u>1,302</u>	<u>1,302</u>	<u>1,302</u>	<u>1,302</u>	<u>1,302</u>	<u>1,302</u>	<u>1,378</u>
AVERAGE RATEBASE	<u>329,097</u>	<u>328,114</u>	<u>327,194</u>	<u>326,315</u>	<u>325,140</u>	<u>324,199</u>	<u>323,260</u>	<u>322,315</u>	<u>321,350</u>	<u>320,587</u>	<u>319,870</u>	<u>318,994</u>	<u>323,870</u>
RATE OF RETURN	0.0762	0.0762	0.0625	0.0625	0.0625	0.0625	0.0625	0.0625	0.0625	0.0625	0.0625	0.0625	0.0648
RETURN ON RATEBASE	<u>2,090</u>	<u>2,084</u>	<u>1,705</u>	<u>1,701</u>	<u>1,694</u>	<u>1,690</u>	<u>1,684</u>	<u>1,680</u>	<u>1,674</u>	<u>1,670</u>	<u>1,667</u>	<u>1,662</u>	<u>21,001</u>

**FOOTHILLS PIPE LINES (SASK.) LTD.
DEPRECIATION EXPENSE - ZONE 9
FOR THE PERIOD NOVEMBER 1, 2004 - OCTOBER 31, 2005
(000's)**

	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>TOTAL</u>
GAS PLANT IN SERVICE														
GPIIS (Excludes General Plant & McLaren L	593,425	593,582	593,990	594,178	594,180	594,233	594,251	594,304	594,313	594,329	594,740	594,803	594,869	
Less: Land	<u>130</u>	<u>130</u>	<u>130</u>	<u>130</u>	<u>130</u>	<u>130</u>	<u>130</u>	<u>130</u>	<u>130</u>	<u>130</u>	<u>130</u>	<u>130</u>	<u>130</u>	
Depreciable Plant	<u>593,295</u>	<u>593,452</u>	<u>593,860</u>	<u>594,048</u>	<u>594,050</u>	<u>594,103</u>	<u>594,121</u>	<u>594,174</u>	<u>594,183</u>	<u>594,199</u>	<u>594,610</u>	<u>594,673</u>	<u>594,739</u>	
Accumulated Depreciation:														
Beginning of Month		262,128	263,612	265,097	266,582	268,067	269,552	271,037	272,522	274,007	275,494	276,981	278,469	
Disposals/(Retirements)		-	-	-	-	-	-	-	-	-	-	-	-	
Current Month Depreciation:														
Opening GPIIS x 3% / 12		<u>1,484</u>	<u>1,485</u>	<u>1,485</u>	<u>1,485</u>	<u>1,485</u>	<u>1,485</u>	<u>1,485</u>	<u>1,485</u>	<u>1,487</u>	<u>1,487</u>	<u>1,488</u>	<u>1,488</u>	<u>17,829</u>
End of Month	<u>262,128</u>	<u>263,612</u>	<u>265,097</u>	<u>266,582</u>	<u>268,067</u>	<u>269,552</u>	<u>271,037</u>	<u>272,522</u>	<u>274,007</u>	<u>275,494</u>	<u>276,981</u>	<u>278,469</u>	<u>279,957</u>	
Net Depreciable Plant	<u>331,167</u>	<u>329,840</u>	<u>328,763</u>	<u>327,466</u>	<u>325,983</u>	<u>324,551</u>	<u>323,084</u>	<u>321,652</u>	<u>320,176</u>	<u>318,705</u>	<u>317,629</u>	<u>316,204</u>	<u>314,782</u>	
Average Accumulated Depreciation		<u>262,870</u>	<u>264,354</u>	<u>265,839</u>	<u>267,324</u>	<u>268,809</u>	<u>270,294</u>	<u>271,779</u>	<u>273,264</u>	<u>274,750</u>	<u>276,237</u>	<u>277,725</u>	<u>279,213</u>	
GENERAL PLANT														
General Plant	<u>3,037</u>	<u>3,089</u>	<u>3,141</u>	<u>3,148</u>	<u>3,156</u>	<u>3,164</u>	<u>3,172</u>	<u>3,180</u>	<u>3,188</u>	<u>3,196</u>	<u>3,204</u>	<u>3,212</u>	<u>3,220</u>	
Accumulated Depreciation:														
Beginning of Month		2,886	2,915	2,945	2,976	3,007	3,038	3,069	3,100	3,131	3,162	3,193	3,212	
Current Month Depreciation		29	30	31	31	31	31	31	31	31	31	18	8	<u>334</u>
Adjustments		-	-	-	-	-	-	-	-	-	-	-	-	
Accumulated Depreciation - General Plant	<u>2,886</u>	<u>2,915</u>	<u>2,945</u>	<u>2,976</u>	<u>3,007</u>	<u>3,038</u>	<u>3,069</u>	<u>3,100</u>	<u>3,131</u>	<u>3,162</u>	<u>3,193</u>	<u>3,212</u>	<u>3,220</u>	
Net General Plant		<u>174</u>	<u>196</u>	<u>172</u>	<u>149</u>	<u>126</u>	<u>103</u>	<u>80</u>	<u>57</u>	<u>34</u>	<u>11</u>	<u>-</u>	<u>-</u>	
Average Accumulated Depreciation		<u>2,900</u>	<u>2,930</u>	<u>2,961</u>	<u>2,991</u>	<u>3,022</u>	<u>3,053</u>	<u>3,084</u>	<u>3,115</u>	<u>3,147</u>	<u>3,178</u>	<u>3,203</u>	<u>3,216</u>	

**FOOTHILLS PIPE LINES (SASK.) LTD.
AMORTIZATION EXPENSE - ZONE 9
FOR THE PERIOD NOVEMBER 1, 2004 - OCTOBER 31, 2005
(000's)**

	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>TOTAL</u>
IROR ADJUSTMENT	9,419	9,419	9,419	9,419	9,419	9,419	9,419	9,419	9,419	9,419	9,419	9,419	9,419	
Accumulated Amortization:														
Beginning of Month	8,246	8,277	8,308	8,339	8,370	8,401	8,432	8,463	8,494	8,525	8,556	8,587	8,587	
Amortization	31	31	31	31	31	31	31	31	31	31	31	31	31	372
End of Month	8,246	8,277	8,308	8,339	8,370	8,401	8,432	8,463	8,494	8,525	8,556	8,587	8,618	
Net IROR	1,173	1,142	1,111	1,080	1,049	1,018	987	956	925	894	863	832	801	
Average Accumulated Amortization	8,262	8,293	8,324	8,355	8,386	8,417	8,448	8,479	8,510	8,541	8,572	8,603		
IN-LINE INSPECTION	1,441	1,441	1,441	1,441	1,441	1,441	1,441	1,441	1,441	1,441	1,441	1,441	1,441	
Accumulated Amortization:														
Beginning of Month	1,258	1,278	1,299	1,320	1,340	1,361	1,381	1,402	1,423	1,441	1,441	1,441	1,441	
Amortization	21	21	21	21	21	21	21	21	21	19	-	-	-	183
End of Month	1,258	1,278	1,299	1,320	1,340	1,361	1,381	1,402	1,423	1,441	1,441	1,441	1,441	
Net In-Line Inspection	183	163	142	122	101	80	60	39	19	-	-	-	-	
CIAC - Current Month Amortization	2	2	3	2	2	2	2	2	2	2	2	2	2	
TOTAL GP, ILI & CIAC DEPRECIATION	52	52	54	53	53	53	53	53	54	52	33	20	10	541

FOOTHILLS PIPE LINES (SASK.) LTD.
STATEMENT ON INCOME TAXES - ZONE 9
FOR THE PERIOD NOVEMBER 1, 2004 - OCTOBER 31, 2005
(000's)

	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>TOTAL</u>
PROVISION FOR INCOME TAXES													
Return on Ratebase (Schedule 2)	2,090	2,084	1,705	1,701	1,694	1,690	1,684	1,680	1,674	1,670	1,667	1,662	21,001
ADD: Depreciation - GPIS (Schedule 3)	1,484	1,485	1,485	1,485	1,485	1,485	1,485	1,485	1,487	1,487	1,488	1,488	17,829
Depreciation - General Plant (Schedule 3)	52	52	54	53	53	53	53	54	52	33	20	10	541
Amortization of IROR (Schedule 4)	31	31	31	31	31	31	31	31	31	31	31	31	372
Large Corporation Capital Tax	69	69	47	47	47	47	47	47	47	47	47	47	605
Deferred Tax Payback	(584)	(584)	(584)	(584)	(584)	(584)	(584)	(584)	(584)	(584)	(584)	(584)	(7,008)
Return on Debt	(1,297)	(1,293)	(913)	(911)	(907)	(905)	(902)	(900)	(897)	(895)	(893)	(891)	(11,604)
Applied CCA	(1,013)	(1,000)	(925)	(925)	(925)	(925)	(925)	(925)	(925)	(925)	(925)	(925)	(11,263)
Applied Loss Carried Forward	-	-	-	-	-	-	-	-	-	-	-	-	-
TAXABLE INCOME EXCLUDING PROVISION	832	844	900	897	894	892	889	887	884	864	851	838	10,473
INCOME TAX PROVISIONS:													
Current	510	518	578	576	575	573	571	570	568	555	547	538	6,679
Deferred	(584)	(584)	(584)	(584)	(584)	(584)	(584)	(584)	(584)	(584)	(584)	(584)	(7,008)
PROVISION FOR INCOME TAXES	<u>(74)</u>	<u>(66)</u>	<u>(6)</u>	<u>(8)</u>	<u>(9)</u>	<u>(11)</u>	<u>(13)</u>	<u>(14)</u>	<u>(16)</u>	<u>(29)</u>	<u>(37)</u>	<u>(46)</u>	<u>(329)</u>
ACCUM DEFERRED INCOME TAXES	<u>7,608</u>	<u>7,024</u>	<u>6,440</u>	<u>5,856</u>	<u>5,272</u>	<u>4,688</u>	<u>4,104</u>	<u>3,520</u>	<u>2,936</u>	<u>2,352</u>	<u>1,768</u>	<u>1,184</u>	

FOOTHILLS PIPE LINES (SASK.) LTD.
SCHEDULE OF CAPITAL STRUCTURE AND INTEREST EXPENSE - ZONE 9
FOR THE PERIOD NOVEMBER 1, 2004 - OCTOBER 31, 2005
(000's)

	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	AVG / TOTAL
LONG TERM DEBT													
Average Balance	230,368	229,680	229,036	228,420	227,598	226,940	226,282	225,621	224,945	224,411	223,909	223,296	226,709
EQUITY													
Common Stock (Average)	82,500	82,500	82,500	82,500	82,500	82,500	82,500	82,500	81,000	79,500	79,500	79,500	81,625
Reinvested Earnings (Opening)	12,189	13,139	13,980	14,439	14,899	15,358	15,819	16,280	9,227	9,689	10,141	10,593	12,979
IROR Adjustment Net (Average)	1,158	1,127	1,096	1,065	1,034	1,003	972	941	910	879	848	817	987
Sub Total Equity	95,847	96,766	97,576	98,004	98,433	98,861	99,291	99,721	91,137	90,068	90,489	90,910	95,592
TOTAL CAPITALIZATION	326,215	326,446	326,612	326,424	326,031	325,800	325,573	325,341	316,082	314,479	314,398	314,205	322,300
INTEREST EXPENSE	1,302	1,298	916	914	910	908	905	902	900	898	896	893	11,642
CALCULATION OF DEEMED EQUITY													
Average Ratebase	329,097	328,114	327,194	326,315	325,140	324,199	323,260	322,315	321,350	320,587	319,870	318,994	323,870
Less: IROR	1,157	1,126	1,095	1,064	1,033	1,002	971	940	909	878	847	816	987
	327,940	326,988	326,099	325,251	324,107	323,197	322,289	321,375	320,441	319,709	319,023	318,178	322,883
Ratebase Equity (30%)	98,382	98,096	97,830	97,575	97,232	96,959	96,687	96,413	96,132	95,913	95,707	95,453	96,865
Add: IROR	1,157	1,126	1,095	1,064	1,033	1,002	971	940	909	878	847	816	987
Deemed Equity	99,539	99,222	98,925	98,639	98,265	97,961	97,658	97,353	97,041	96,791	96,554	96,269	97,851
Deemed Debt Percent	0.69754	0.69760	0.69766	0.69772	0.69778	0.69784	0.69790	0.69796	0.69802	0.69808	0.69815	0.69821	0.69787
Deemed Equity Percent	0.30246	0.30240	0.30234	0.30228	0.30222	0.30216	0.30210	0.30204	0.30198	0.30192	0.30185	0.30179	0.30213
Deemed Equity Percent Excluding IROR	0.30000	0.30000	0.30000	0.30000	0.30000	0.30000	0.30000	0.30000	0.30000	0.30000	0.30000	0.30000	0.30000
Cost of Debt	0.06780	0.06780	0.04800	0.04800	0.04800	0.04800	0.04800	0.04800	0.04800	0.04800	0.04800	0.04800	0.05130
Operation Phase Rate	0.09560	0.09560	0.09610	0.09610	0.09610	0.09610	0.09610	0.09610	0.09610	0.09610	0.09610	0.09610	0.09602
Deemed Debt Component	0.04729	0.04730	0.03349	0.03349	0.03349	0.03350	0.03350	0.03350	0.03350	0.03351	0.03351	0.03351	0.03580
Deemed Equity Component	0.02892	0.02891	0.02905	0.02905	0.02904	0.02904	0.02903	0.02903	0.02902	0.02901	0.02901	0.02900	0.02901
Deemed Rate of Return	0.07621	0.07621	0.06254	0.06254	0.06253	0.06254	0.06253	0.06253	0.06252	0.06252	0.06252	0.06251	0.06481