



TransCanada PipeLines Limited  
450-1<sup>st</sup> Street S.W.  
Calgary, Alberta, Canada T2P 5H1

**Tel:** 403.920.7184  
**Fax:** 403.920.2347  
**Email:** celine\_belanger@transcanada.com

March 14, 2005

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

Filed Electronically

Attention: Mr. Michel L. Mantha, Secretary

Dear Mr. Mantha:

**Re: Foothills Pipe Lines Ltd. (Foothills)  
Revised Annual Surveillance Report  
For the Twelve Months Ended December 31, 2004**

On February 28, 2005, Foothills filed its Annual Surveillance Report (Report) for the twelve months ended December 31, 2004. The transportation revenue, the special charge and incentive settlement revenue, and other operating and maintenance expense in Schedules 1(a)-(d) of the Report were inadvertently misstated. Now enclosed for filing is a revised Report. Revisions have been made to Schedules 1(a)-(d), 2 and 7. The revisions are indicated by means of a vertical line in the margin opposite the revisions.

Foothills has filed the revised Report electronically with the Board by placing it in the electronic filing repository and is notifying shippers of the availability of this filing in the Board's repository as well as on TransCanada's Foothills System Website at the address below.

[http://www.transcanada.com/Foothills/regulatory/reg\\_filings/index.htm](http://www.transcanada.com/Foothills/regulatory/reg_filings/index.htm)

If you have any questions or concerns with respect to the enclosed, please contact Carolyn Shaw at 920-7172.

Yours truly,

**Foothills Pipe Lines Ltd.**

A wholly owned subsidiary of TransCanada PipeLines Limited

Céline Bélanger  
Vice President, Regulatory Services

Encl.

cc. Interested Parties – TG-6-81  
Foothills Firm and Interruptible Shippers

**Foothills Pipe Lines Ltd.**

**Annual Surveillance Report**

For the Twelve Months Ended December 31, 2004

---

CONTENTS

---

- 1 Income Summary
  - (a) Foothills Pipe Lines (Alta) Ltd. - Zone 6
  - (b) Foothills Pipe Lines (Alta) Ltd. - Zone 7
  - (c) Foothills Pipe Lines (South B.C.) Ltd. - Zone 8
  - (d) Foothills Pipe Lines (Sask) Ltd. - Zone 9
- 2 Average Rate Base
- 3 Throughput Detail
- 4 Payroll Statistics
  - Salaries, Wages, and Employee Benefits
- 5 Payroll Statistics
  - Employee Allocation
- 6 Deferral Accounts
- 7 Performance Measures

## Schedule 1 (a)

**FOOTHILLS PIPE LINES (ALTA) LTD. - ZONE 6**  
**INCOME SUMMARY**  
**(For Twelve Months Ended December 31, 2004)**

Particulars (a)	NEB Accounts (b)	Year-to-Date Actual (c)	NEB Decision or Initial Forecast (d)	Variance Col. (c) - (d) (e)	Note
<b>Revenue</b>					
Transportation	300	58,690,349			
Special Charge & Incentive Settlement		<u>3,168,160</u>			
Total Revenue		<u>61,858,509</u>			
<b>Operating Expenses</b>					
Salaries & Wages	301	1,753,727	1,847,420	(93,693)	
Fuel & Power	301	7,453,724	8,915,100	(1,461,376)	1
Other Operating & Maintenance	301	9,702,176	14,251,580	(4,549,404)	2
NEB & NPA Cost Recovery	301	1,749,619	1,659,000	90,619	
Depreciation	303	15,521,072			
Amortization	304	206,000			
Income Taxes	306	347,000			
Taxes Other than Income	305	<u>3,547,031</u>			
Total Operating Expenses		<u>40,280,349</u>			
<b>Operating Income</b>		21,578,160			
<b>Less:</b>					
Financial Charges		11,025,000			
Special Charge & Incentive Settlement		<u>3,168,160</u>			
<b>Equity Return</b>		<u>7,385,000</u>			
<b>Rate of Return on Rate Base (Average)</b>			<u>7.54%</u>		
<b>Rate of Return on Common Equity</b>			<u>9.56%</u>		

**Notes:**

In 2004 Foothills tolls were determined on a cost of service basis. The NEB reviewed and approved Foothills Operating and Maintenance budget for 2004.

1) Decrease is due to the fact that compressors were not run as much as budgeted.

2) Decrease is due mainly to the fact that actual Other Operating and Maintenance expense includes actual G&A costs incurred, whereas the budget includes G&A expense in the amount approved by the NEB. The decrease is also due to the fact that operational projects that were budgeted for in 2004 were not undertaken in the year.

## Schedule 1 (b)

**FOOTHILLS PIPE LINES (ALTA) LTD. - ZONE 7**  
**INCOME SUMMARY**  
(For Twelve Months Ended December 31, 2004)

Particulars	NEB Accounts	Year-to-Date Actual	NEB Decision or Initial Forecast	Variance Col. (c) - (d)	Note
(a)	(b)	(c)	(d)	(e)	
<b>Revenue</b>					
Transportation	300	7,980,237			
Special Charge & Incentive Settlement		<u>361,013</u>			
Total Revenue		<u>8,341,250</u>			
<b>Operating Expenses</b>					
Salaries & Wages	301	199,615	210,280	(10,665)	
Other Operating & Maintenance	301	1,323,800	2,010,220	(686,420)	1
NEB & NPA Cost Recovery	301	196,540	188,800	7,740	
Depreciation	303	2,980,541			
Amortization	304	174,000			
Income Taxes	306	160,000			
Taxes Other than Income	305	<u>384,741</u>			
Total Operating Expenses		<u>5,419,237</u>			
<b>Operating Income</b>		2,922,013			
<b>Less:</b>					
Financial Charges		1,498,000			
Special Charge & Incentive Settlement		<u>361,013</u>			
<b>Equity Return</b>		<u>1,063,000</u>			
<b>Rate of Return on Rate Base (Average)</b>		<u>7.55%</u>			
<b>Rate of Return on Common Equity</b>		<u>9.56%</u>			

**Note:**

1) Decrease is due mainly to the fact that actual Other Operating and Maintenance expense includes actual G&A costs incurred, whereas the budget includes G&A expense in the amount approved by the NEB. The variance is also due to fewer expenditures on integrity than budgeted.

## Schedule 1 (c)

**FOOTHILLS PIPE LINES (SOUTH B.C.) LTD. - ZONE 8**  
**INCOME SUMMARY**  
**(For Twelve Months Ended December 31, 2004)**

Particulars (a)	NEB Accounts (b)	Year-to-Date Actual (c)	NEB Decision or Initial Forecast (d)	Variance Col. (c) - (d) (e)	Note
<b>Revenue</b>					
Transportation	300	23,047,327			
Special Charge & Incentive Settlement		<u>780,550</u>			
Total Revenue		<u>23,827,877</u>			
<b>Operating Expenses</b>					
Salaries & Wages	301	413,165	435,240	(22,075)	
Other Operating & Maintenance	301	1,651,185	2,146,760	(495,575)	1
NEB & NPA Cost Recovery	301	428,227	402,100	26,127	
Depreciation	303	6,036,535			
Amortization	304	705,000			
Income Taxes	306	1,749,000			
Taxes Other than Income	305	<u>3,049,215</u>			
Total Operating Expenses		<u>14,032,327</u>			
<b>Operating Income</b>		9,795,550			
<b>Less:</b>					
Financial Charges		5,771,000			
Special Charge & Incentive Settlement		<u>780,550</u>			
<b>Equity Return</b>		<u>3,244,000</u>			
<b>Rate of Return on Rate Base (Average)</b>		<u>8.10%</u>			
<b>Rate of Return on Common Equity</b>		<u>9.56%</u>			

Note:

1) Decrease is due mainly to the fact that actual Other Operating and Maintenance expense includes actual G&A costs incurred, whereas the budget includes G&A expense in the amount approved by the NEB.

## Schedule 1 (d)

**FOOTHILLS PIPE LINES (SASK) LTD. - ZONE 9**  
**INCOME SUMMARY**  
(For Twelve Months Ended December 31, 2004)

Particulars (a)	NEB Accounts (b)	Year-to-Date Actual (c)	NEB Decision or Initial Forecast (d)	Variance Col. (c) - (d) (e)	Note
<b>Revenue</b>					
Transportation	300	57,271,592			
Special Charge & Incentive Settlement		<u>2,810,587</u>			
Total Revenue		<u>60,082,179</u>			
<b>Operating Expenses</b>					
Salaries & Wages	301	785,977	827,970	(41,993)	
Fuel & Power	301	746,793	650,000	96,793	
Other Operating & Maintenance	301	7,319,940	10,586,230	(3,266,290)	1
NEB & NPA Cost Recovery	301	1,198,226	1,168,800	29,426	
Depreciation	303	18,123,196			
Amortization	304	247,000			
Income Taxes	306	(866,000)			
Taxes Other than Income	305	<u>4,235,460</u>			
Total Operating Expenses		<u>31,790,592</u>			
<b>Operating Income</b>		28,291,587			
<b>Less:</b>					
Financial Charges		15,463,000			
Special Charge & Incentive Settlement		<u>2,810,587</u>			
<b>Equity Return</b>		<u>10,018,000</u>			
<b>Rate of Return on Rate Base (Average)</b>				<u>7.53%</u>	
<b>Rate of Return on Common Equity</b>				<u>9.56%</u>	

**Note:**

1) Decrease is due mainly to the fact that actual Other Operating and Maintenance expense includes actual G&A costs incurred, whereas the budget includes G&A expense in the amount approved by the NEB. Decrease was also due to fewer expenditures made on pipe integrity than budgeted and due to the fact that operational projects that were budgeted for were not undertaken during the

## Schedule 2

**FOOTHILLS PIPE LINES LTD.**  
**AVERAGE RATE BASE**  
**(For Twelve Months Ended December 31, 2004)**  
**(\$000's)**

<b>Particulars</b>	<b>Zone 6</b>	<b>Zone 7</b>	<b>Zone 8</b>	<b>Zone 9</b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	<b>(e)</b>
<b>Plant in Service</b>				
Net Plant	239,163	32,778	108,443	340,184
Contributions in Aid of Construction	<u>(1,210)</u>	<u>-</u>	<u>-</u>	<u>(297)</u>
Total Plant	<u>237,953</u>	<u>32,778</u>	<u>108,443</u>	<u>339,887</u>
<b>Working Capital</b>				
Prepayments and Deposits	2,314	737	3,150	1,462
Other - 150% of O&M Expense	2,582	215	312	1,256
Inventory	<u>2,168</u>	<u>-</u>	<u>69</u>	<u>1,555</u>
Total Working Capital	<u>7,064</u>	<u>952</u>	<u>3,531</u>	<u>4,273</u>
<b>Deferrals</b>				
Deferred Taxes	<u>7,166</u>	<u>1,395</u>	<u>1,567</u>	<u>10,820</u>
<b>Total Average Rate Base</b>	<u><u>237,851</u></u>	<u><u>32,335</u></u>	<u><u>110,407</u></u>	<u><u>333,340</u></u>

## Schedule 3

## FOOTHILLS PIPE LINES LTD.

2004 Throughput Detail  
(Millions of Cubic Metres)

Particulars (a)	CLASS OF SERVICE	ZONE	2004 ACTUAL (b)	2005 FORECAST <sup>1</sup> (c)	VARIANCE (b-c) (d)
Canadian Volumes:	SGS-1	9	1.3	1.2	0.1
Export Volumes:	T-1	8 <sup>2</sup>			
	T-1	9 <sup>7</sup>	20,424.5	14,051.0	6,373.5
	IT-1	9 <sup>5</sup>	452.6	7,989.5	(7,536.9)
	IT-2	9 <sup>6</sup>	764.4		764.4
Total Volumes:			21,642.8	22,041.7	(398.9)
Other Volumes:	T-1	6 <sup>3</sup>	21,589.3	21,780.5	(191.2)
	T-1	7 <sup>4</sup>			

<sup>1</sup> Forecast prepared January, 2005.

<sup>2</sup> As of January 1, 1995, Foothills' contract with Pan-Alberta Gas on Zone 8 was assigned to TransCanada Transmission (formerly Alberta Natural Gas Company Ltd.) The contract receipt capacity on Zone 8 is 31.6 Million cubic metres per day (1115 MMcf/d).

<sup>3</sup> Actual volumes for Zone 6 include only those volumes metered at McNeill.

<sup>4</sup> As of January 1, 1995, Foothills' contract with Pan-Alberta Gas on Zone 7 was assigned to NOVA Gas Transmission Ltd. The contract receipt capacity on Zone 7 is 20.4 Million cubic metres per day (721 MMcf/d).

<sup>5</sup> The 2005 forecast reflects that effective January 1, 2005, IT-1 has been priced at 110% of the T-1 rate in Zone 9.

<sup>6</sup> Effective January, 2005 there is only one IT service offered.

<sup>7</sup> Variances in T-1 and IT-1 service are due to the fact that decontracting at the end of 2004 has resulted in a forecast of increased of IT service and decreased T-1 service in 2005.

**FOOTHILLS PIPE LINES LTD.**  
**PAYROLL STATISTICS**  
**Salaries, Wages and Employee Benefits**  
**(For Twelve Months Ended December 31, 2004)**  
**(\$000)**

<b>Particulars</b>	<b>Year-to-Date Actual</b>	<b>NEB Decision or Initial Forecast</b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
<b>Salaries &amp; Wages</b>		
Regular Salaries	3,152.5	
Ancillary	<u>114.0</u>	
Gross Salaries & Wages	3,266.5	3,320.9
<b>Less:</b>		
Charges to Non-Regulated	-	-
Capitalized	537.6	574.0
Charged to Other Accounts	<u>163.3</u>	<u>153.1</u>
Salaries & Wages Charged to Cost of Service	<u>2,565.6</u>	<u>2,593.8</u>
<b>Employee Benefits</b>		
Gross Employee Benefits	939.2	819.7
<b>Less:</b>		
Charges to Non-Regulated	-	-
Capitalized	182.8	117.2
Charged to Other Accounts	<u>55.5</u>	<u>37.8</u>
Employee Benefits Charged to Cost of Service	<u>700.9</u>	<u>664.7</u>

**FOOTHILLS PIPE LINES LTD.**  
**PAYROLL STATISTICS**  
**Employee Allocation**  
**(For Twelve Months Ended December 31, 2004)**  
**Person Years**

<b>Particulars</b>	<b>Year-to-Date Actual</b>	<b>NEB Decision or Initial Forecast</b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>
Total Regular Employees	44.6	46.0
Total Temporary Employees	-	-
Total Employees	<u>44.6</u>	<u>46.0</u>
<b>Less:</b>		
Charges to Non-Regulated	-	
Capitalized	7.6	
Charged to Other Accounts	<u>2.3</u>	
Employees Charged to Cost of Service	<u>34.7</u>	

**FOOTHILLS PIPE LINES LTD.**  
**DEFERRAL ACCOUNTS**  
**(For Twelve Months Ended December 31, 2004)**  
**(000's)**

---

Deferred Income Taxes	
Zone 6	5,094
Zone 7	830
Zone 8	1,103
Zone 9	<u>7,466</u>
Total Deferrals	<u>14,493</u>

## Schedule 7

**FOOTHILLS PIPE LINES LTD.  
YEAR END REPORT - PERFORMANCE MEASURES**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	Note
A. Total Revenue Requirement per Throughput Km	9.6	10.2	10.0	9.3	9.6	
B. Operating Expenses per Throughput Km	4.5	5.3	5.3	4.6	5.0	
C. Operating Expenses per Average Gross Plant in Service	5.2%	6.0%	6.0%	5.2%	5.6%	
D. Administrative and General Expenses per Employee In this measure Employees include salaried and contract personnel	91.0	92.0	98.8	94.6	194.2	1
E. Administrative and General Expenses per Throughput Km	0.6	0.5	0.6	0.4	0.5	
F. Net Plant per Throughput Km	48.9	48.6	47.3	45.3	44.5	
G. Throughput Km per Employee	165,172	171,914	165,563	239,566	359,777	
H. Fuel and Power Costs per Throughput Km	0.58	1.01	0.65	0.55	0.51	
I. Average Salary per Employee In this measure employees excludes contract personnel directly involved in the operation of Foothills' pipeline system.	67.5	70.0	71.3	80.8	82.0	2
J. Average Benefits per Employee In this measure employees excludes contract personnel directly involved in the operation of Foothills' pipeline system.	8.8	10.2	13.4	14.8	30.9	3
K. Actual and Approved Rates of Return on Equity	9.90%	9.61%	9.53%	9.79%	9.56%	
L. Actual and Approved Rates of Return on Rate Base	7.72%	7.55%	6.89%	7.12%	7.62%	

## Notes:

- 1) Admin & General Expenses per employee for 2004 is not comparable to prior years because operations in 2003 were under the management of a legal entity separate from TransCanada. Administration and General expenses have been administered differently since integration with TransCanada.
- 2) As Foothills is now completely under the ownership of TransCanada, the average salary per employee for TransCanada now applies to Foothills.
- 3) As Foothills is now completely under the ownership of TransCanada, the average benefits per employee for TransCanada now applies to Foothills.