



Files 4200-F006-7
4400-F006-12
23 December 2004

Ms. Céline Bélanger
Vice President, Regulatory Services
TransCanada PipeLines Limited
450 - 1st Street S.W
Calgary, Alberta T2P 5H1
Facsimile (403) 920-2347

Dear Ms. Bélanger:

**Foothills Pipe Lines Ltd. (Foothills) - Tolls and Tariff Amendment Application
(Amendment Application)**

On 30 September 2004, Foothills filed an application with the National Energy Board pursuant to Part IV of the NEB Act for approval of certain modifications to its existing tolling methodology for fixing tolls on the Foothills' System. Foothills proposed a number of significant modifications to its existing tolling methodology which it suggested should result in increased rate stability for shippers and an appropriate allocation of costs among firm, interruptible and overrun services which should result in increased efficiencies. Foothills stated that it would be able to align its processes within existing budget and rate application processes which TransCanada uses for its Mainline, Alberta and B.C. Systems.

On 28 October 2004, the Board approved Foothills' Amendment Application as filed except for the Board's approval of Foothills' alternative proposal for a flat rate billing abatement provision. In its decision, the Board also directed Foothills to file with the Board by 15 November 2004, the specific amendments to prior Board Orders including Orders TG-1-79, TG-6-81, TG-10-87, and TG-2-2003 that would be required to give effect to the Board's decision.

On 10 November 2004, Foothills submitted a letter to the Board outlining the required changes to Board Orders as directed.

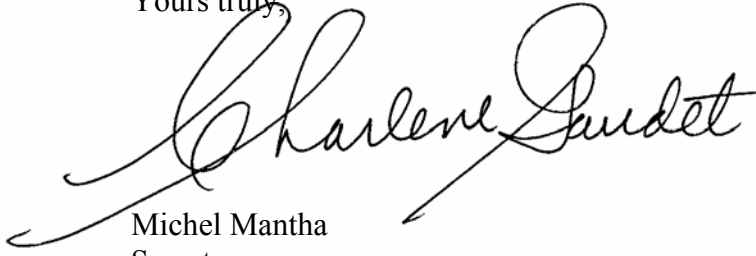
The Board has examined the information submitted by Foothills and hereby issues Order TG-8-2004 which gives effect to the Board's approval of Foothills' Amendment Application on 28 October 2004.

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Foothills is directed to serve forthwith a copy of this letter and Orders on all of its interested parties (TG-6-81), firm and interruptible shippers.

Yours truly,

A handwritten signature in black ink that reads "Charlene Gaudet". The signature is written in a cursive style with a long, sweeping underline that extends to the left.

Michel Mantha
Secretary

Attachment



**ORDER TG-8-2004
and AMENDING ORDERS**

AO-2-TG-1-79

AO-1-TG-2-81

AO-20-TG-6-81

AO-12-TG-4-82

AO-1-TG-10-87

AO-2-TG-1-88

IN THE MATTER OF the *National Energy Board Act* and the Regulations made thereunder, and the *Northern Pipeline Act*; and

IN THE MATTER OF an application by Foothills Pipe Lines Ltd. (Foothills) dated 30 September 2004 pursuant to Part IV of the *National Energy Board Act* for approval of certain modifications to the existing tolling 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 (Amendment Application).

BEFORE the Board on 23 December 2004.

WHEREAS Foothills filed its Amendment Application on 30 September 2004;

AND WHEREAS on 28 October 2004, the Board approved by letter decision Foothills' Amendment Application as filed, with the exception of the approval of Foothills' alternative flat rate billing abatement provision, and directed the company to file the specific amendments to prior Board Orders that would be required for the Board to implement its decision and issue an Order in this matter;

AND WHEREAS on 10 November 2004, Foothills submitted a letter to the Board outlining the specific amendments required to previous orders to give effect to the Board's decision on Foothills' Amendment Application;

AND WHEREAS the Board has considered Foothills' proposed amendments to the Orders;

THEREFORE, IT IS ORDERED, pursuant to Part IV of the NEB Act, that:

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1. Order TG-8-2004 gives effect to the Board's 28 October 2004 letter approval of Foothills' Amendment Application.
2. Order TG-1-79 Attachment entitled "The National Energy Board's Method for Regulating the Tolls and Tariffs of the Foothills (Yukon) Pipeline" is amended as follows:
 - i) Cost of Service Paragraph 11 is revoked and replaced with the following:

The following represents costs that the Board is prepared to flow through into the cost of service automatically, provided the principles or methods of computation have been previously approved, or where the costs are largely outside of the control of the company:

- operations and maintenance costs;
- municipal taxes (in the absence of unusual circumstances);
- depreciation;
- amortization;
- income taxes (on the basis approved by the Board);
- actual interest expenses in conformity with the tariff;
- gains and losses on foreign exchange transactions;
- return on equity; and
- all charges related to the one-time adjustment to rate base for the Incentive Rate of Return Scheme.

- ii) Paragraph 12 is revoked and replaced with the following:

Shippers and interested parties will have the right to challenge Foothills' effective rate filing which will be filed pursuant to Section 60 (1)(a) of the *National Energy Board Act*.

- iii) Paragraphs 14 and 15 are revoked as Foothills will no longer seek approval of emergency or major unusual costs as these costs will be captured as variances in the subsequent year's effective rate filing and can be challenged by shippers and interested parties in accordance with paragraph 12 as revised.

3. Order TG-2-81 is amended as follows:

i) Paragraph 1 is revoked and replaced with the following:

Foothills (Yukon) shall, effective on the day of commencement of operation of the prebuild facilities in Zone 7 and 8, charge in respect of natural gas transmitted by it through the said facilities in each month only those tolls for each such month as are determined in accordance with this Order and with:

- (a) Order TG-1-79, as amended by Order No. AO-1-TG-1-79, Order No. TG-4-79 and Order TG-8-2004;
- (b) The provisions of the Foothills' Gas Transportation Tariff – Phase 1 as approved by the Board in Order TG-8-2004;
- (c) The Board's Reasons for Decision dated August 1981, resulting from the hearing held under Order No. RH-3-81; and
- (d) The Board's Reasons for Decision dated July, October, and November, 1979 and March, May and June 1980, resulting from the public hearing held under Order No. RH-2-79.

ii) Paragraph 4 is revoked and replaced with the following:

For the purpose of determining the tolls to be charged in respect of the transmission of natural gas through the prebuild facilities in each month, Foothills (Yukon) shall calculate its cost of service annually in accordance with the procedures set out in the Gas Transportation Tariff – Phase 1 modified as necessary in accordance with this Order and Order TG-8-2004, and incorporating:

- (a) the return on common equity established by the Board pursuant to Decision RH-2-94,
- (b) taxes calculated on a flow-through basis commencing with the year 1992, and
- (c) where applicable, the recalculated amounts approved by the Board pursuant to paragraph 3.

4. Order TG-6-81 is amended as follows:

i) Paragraphs 2(a) and 2(b) are revoked and replaced with the following:

Foothills (Yukon) shall on or before the first day of December in each year commencing with 2004, file with the Board and serve on interested parties its proposed effective rates for the next succeeding year filed pursuant to Section 60(1)(a) of the *National Energy Board Act*.

- ii) Paragraph 3 is revoked and replaced with the following:

Interested parties shall, within 15 days of being served with the effective rate filing referred to in Paragraph 2, notify the Board and Foothills (Yukon) whether they wish to make representations to the Board respecting the said submission.

- iii) Paragraph 4 is revoked as Foothills will no longer seek separate approval of O&M budgets. Any variances to O&M expense will be trued up in the following year's effective rate filing.

- iv) Paragraph 5 is revoked as Foothills will not seek separate approval of O&M budgets. Variances to O&M expense or other costs will be trued up in the following year's effective rate filing. Carrying charges will be calculated in accordance with the provisions outlined in Section 8.8 of the Rate Schedule of the subsidiary companies' Tariffs.

5. Order TG-4-82 should be amended as follows:

- i) Paragraph 1 is revoked and replaced with the following:

Foothills (Yukon) and its subsidiaries shall, effective on the day of commencement of operation of the prebuild facilities in Zones 6 and 9, and effective on the 1st day of September 1982 for Zones 7 and 8, charge in respect of natural gas transmitted by it through the said facilities in each month only those tolls for each such month as are determined in accordance with this Order, as amended and with:

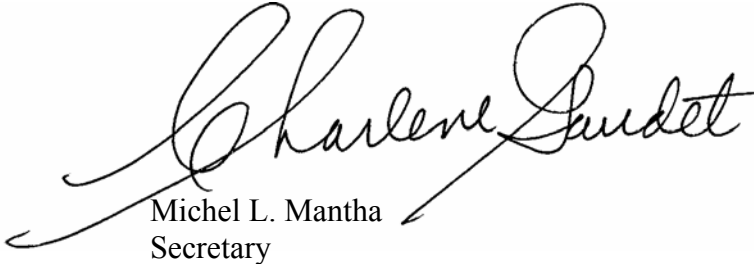
- (a) Order TG-1-79, as amended by Order No. AO-1-TG-1-79, and Order No. TG-4-79, Order No. TG-2-81, Order No. TG-5-81 as amended by Order No. AO-1-TG-5-81, and Order TG-8-2004;
- (b) The provisions of the Foothills' Gas Transportation Tariff – Phase 1 as approved by the Board in Order TG-8-2004;
- (c) The Board's Reasons for Decision dated August 1981, resulting from the hearing held under Order No. RH-3-81; and
- (d) The Board's Reasons for Decision dated July, October, and November, 1979 and March, May and June 1980, resulting from the public hearing held under Order No. RH-2-79.
- (e) The Board's Reasons for Decision dated August 1982, resulting from the public hearing held under Order No. RH-5-82; and
- (f) The Board's Reasons for Decision dated September 1984, resulting from the public hearing held under Order No. RH-3-84.

- ii) Paragraph 4 is revoked and replaced with the following:

For the purpose of determining the tolls to be charged in respect of the transmission of natural gas through the prebuild facilities in each month, Foothills (Yukon) shall calculate its cost of service annually in accordance with the procedures set out in the Gas Transportation Tariff – Phase 1 modified as necessary in accordance with this Order and Order TG-8-2004, and incorporating;

- (a) the return on common equity established by the Board pursuant to Decision RH-2-94,
 - (b) taxes calculated on a flow-through basis commencing with the year 1992, and
 - (c) where applicable, the recalculated amounts approved by the Board pursuant to paragraph 3.
6. Order TG-10-87 is revoked as its provisions are completely superceded by the new tolling methodology for IT service as outlined in the Amendment Application.
7. Orders TG-1-88 and AO-1-TG-1-88 are revoked as Measurement (M-2) service is discontinued.

NATIONAL ENERGY BOARD



Michel L. Mantha
Secretary