



IN THE MATTER OF

the Pipeline Act

R.S.B.C. 1979, c. 328, as amended

and

IN THE MATTER OF

Trans Mountain Enterprises of
British Columbia Limited

1993 Toll Application

And

Complaint Submitted By
Canadian Airlines International Ltd. and
Vancouver Airport Fuel Facilities Corporation

Decision

March 25, 1994

BEFORE:

Dr. Mark K. Jaccard, Chairperson
Lorna R. Barr, Deputy Chairperson

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ORDER NO, P-2-94

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EXECUTIVE SUMMARY

The British Columbia Utilities Commission ("the Commission") regulates Trans Mountain Enterprises of British Columbia Limited ("Trans Mountain") and other intraprovincial oil pipelines under the Pipeline Act. Regulation is on a reporting basis and the Commission only takes active regulatory action in the event of complaints. Trans Mountain operates a pipeline that collects jet fuel from refineries and terminals in the Greater Vancouver area and delivers it to the Vancouver International Airport

This Decision considers: an Application for increased rates effective January 1, 1993 and a Complaint by Canadian Airlines International Ltd. and the Vancouver Airport Fuel Facilities Corporation (collectively "the Airlines") raising several concerns with the Application. The applied-for rate of \$2.941 per cubic metre is 26.1 percent higher than the average toll in 1992, largely as a result of capital additions, including a new control room, clay treater and tank liner at the airport pipeline terminal, which doubled the rate base from 1992 to 1993.

Commission staff met with Trans Mountain and the Shippers on January 11, 1994 to review the issues, and consensus was reached on several matters- Trans Mountain and the Shippers agreed that the Commission should use the written record, including the minutes from the meeting, to render a decision.

Trans Mountain and the Shippers have agreed to apply the National Energy Board's regulatory methods and decisions for the parent company, Trans Mountain Pipe Line Company Ltd., to the jet fuel pipeline, to the extent that they are applicable. These include return on rate base parameters, calculation of Allowance for Funds Used During Construction and a toll adjustment trigger that requires Trans Mountain to file revised tolls if its current forecast of return on equity differs from that on which its rates are based by more than 2 percent. Consistency with the parent company provides accounting efficiencies and avoids the need for the Commission to adjudicate these matters. The Commission approves this approach, subject to review upon application. Trans Mountain used the recent NEB decision for the parent company (including an 11.5 percent return on equity for 1993 and calculation of income taxes on a Row-through basis) to recalculate a 1993 toll of \$2,693 per cubic metre, which is 15.5 percent higher than its 1992 rate,

Several of the capital projects that were added to rate base in 1992 had a history of escalating cost estimates and actual costs which were higher than the final estimate. Part of the Airlines' concerns relate to less than adequate communication to the Shippers of revised cost estimates and the effect of the projects on future rates. Nevertheless, the Commission finds that the Shippers were generally aware of the increased costs as reported in toll applications and, by their failure to formally complain, accepted them. Moreover, there is a lack of evidence indicating that the actual expenditures were imprudent.

The clay treater project is an exception to the general acceptability of the capital additions. This equipment was discretionary, as it provides a service to Shippers that is over and above the delivery of jet fuel. Shippers had alternatives, but accepted Trans Mountain's installation of the facility based, at least in part, on the original cost estimate. Integration of the treater with other projects at the airport pipeline terminal increased the estimated cost to \$738,110 and the Shippers accepted this final estimate. The actual cost was \$929,900 and the Commission denies the addition to rate base of \$117,979, which is the portion of the cost that exceeds 110 percent of the final estimate.

Among the several changes to conditions of service in its tariff, Trans Mountain requested wording that would give it better control over the quality of jet fuel received into and shipped through its system and over the removal of off-specification fuel at the airport. The Airlines strongly opposed this wording. The Commission directs Trans Mountain and the Shippers to attempt to resolve this sensitive and complex matter and report back to the Commission by September 30, 1994.

Trans Mountain stated that its actual throughput was lower and actual operating costs were higher than 1993 forecasts. The Commission concludes, in the spirit of the toll adjustment trigger mechanism intended to deal with such circumstances, that Trans Mountain should adjust its 1993 rates so that it is not less than the approved return on common equity less 2 percent, or 9.50 percent. Based on the revisions that Trans Mountain has submitted as well as the Commission adjustments, the adjusted 1993 rate is estimated to be approximately \$2.55 per cubic metre, or 9.4 percent more than the average 1992 toll.

Communications between Trans Mountain and the Shippers has been less than adequate and procedures for dealing with rate applications and capital additions have been somewhat uncertain. The Decision requires revitalization and empowerment of the Shippers' Committee, directs improvements to the information supplied by Trans Mountain and establishes a procedure for handling future applications. Trans Mountain and all of the Shippers stated that they wish to have regulation on a reporting basis continue into the future and the Commission approves this request. Although the Commission has not been charging overhead costs to pipelines regulated on a reporting basis, it will bill Trans Mountain for its costs of \$17,760 for dealing with this Complaint and Application.

1.0 INTRODUCTION

1.1 Regulation of Intraprovincial Oil Pipelines

As a result of Bill 55 - 1987, the British Columbia Utilities Commission ("the Commission") became responsible for the economic regulation of Intraprovincial Oil Pipeline Companies under Part 7 of the Pipeline Act, effective July 16, 1987. A letter dated May 18, 1988 set out the Commission's intention to regulate Intraprovincial Oil Pipelines on a reporting basis except in the event of complaints. Complaints received by the Commission were to be investigated in accordance with Sections 46 and 52 of the Pipeline Act, Tariffs were to be negotiated between the parties and filed with the Commission for approval.

The May 18, 1988 letter and subsequent correspondence established the following requirements for filing financial information and for keeping the Commission and Shippers informed about capital expenditures:

- A forecast statement should be filed with the Commission and the pipeline Shippers/users no later than 30 days after the commencement of the fiscal year and should detail all expected costs, including a breakdown of capital expenditures by project, together with a revenues and expenses forecast based on expected throughput.

A variance statement should be filed with the Commission and the pipeline Shippers/users within 60 days after the fiscal year-end which should compare the actual costs and revenues to the forecast for the year just ended.

The pipeline should advise both the Commission and the pipeline Shippers/users of any capital expenditure plans which would lead to an increase in rates. Concurrence must be sought from the users at least 60 days prior to initiating construction.

The letter also noted the Commission is self-funding and that the costs to be charged to Intraprovincial Oil Pipelines would be reviewed. The Commission has not been billing its overhead costs to these pipelines as active regulation has not been involved and, prior to 1993, the Commission had not received any complaints.

1.2 Application for 1993 Tolls and the Airlines' Complaint

In response to an application dated July 31, 1992, Commission Order No. P-3-92 approved a toll of \$1.960 per cubic metre for Trans Mountain Enterprises of British Columbia Limited ("Trans Mountain",

"the Applicant") effective August 1, 1992. This was a significant decrease from the \$2.627 per cubic metre rate that was in effect for the earlier part of 1992. Trans Mountain calculated that, using the cost of service and throughput projections in the July 1992 application, the average toll for 1992 would have been \$2.333 per cubic metre.

Trans Mountain applied on December 29, 1992 ("re Application") under Part 7 of the Pipeline Act for a rate increase commencing January 1, 1993. In addition, it requested approval to split the toll into a gathering toll to the Burnaby terminal and a delivery toll to the airport. The total delivery charge of \$2.941 per cubic metre or \$.0029/L is a 26.1 percent increase over the average toll in 1992. The forecast 1993 rate base of \$7,330,000 takes into account \$3,653,000 of capital additions completed in 1992.

The Company reported that it had reviewed key aspects of the Application with the users of its system at a December 10, 1992 meeting and believed that letters of concurrence would be obtained in accordance with past practice. In view of the large toll increase, Commission staff requested Trans Mountain to provide the letters of concurrence prior to obtaining approval.

On March 19, 1993 Trans Mountain filed letters of concurrence from Chevron Canada Limited ("Chevron"), Imperial Oil Limited ("Imperial"), Petro-Canada Products ("Petro-Canada") and Shell Canada Limited ("Sell"). The other users of the pipeline are Canadian Airlines International Ltd. and the Vancouver Airport Fuel Facilities Corporation (collectively the "Airlines") and the users are referred to herein as ("Shippers"). The Airlines did not concur with the rate increase and sent information requests to Trans Mountain followed by a complaint ("the Complaint") to the Commission on October 27, 1993 which identified several areas of concern. The Airlines' specific recommendations are repeated in the Decision as a way of succinctly stating the concerns. Trans Mountain replied to the Complaint on November 24, 1993.

The Complaint by the Airlines included statements such as: "It is important that the Commission actively regulate Trans Mountain", which appeared to represent a request to change from regulation on a reporting basis. In a letter dated October 29, 1993, the Commission requested that Trans Mountain and the Shippers address the method of resolving the Complaint and the proposal of more active regulation. The Shippers and Trans Mountain responded that the Commission should continue to regulate the pipeline on a reporting basis, except in the event of complaints, and should resolve the Complaint from the Airlines through written submissions. By letter dated December 8, 1993, the Commission accepted these recommendations, invited the filing of any additional comments and directed Trans Mountain to inform any other parties that had an interest in the matter. The letter also advised that the cost of dealing with the Complaint may be charged to Trans Mountain.

At the request of the Airlines, the Commission instructed its staff to hold a meeting with interested parties to draw out relevant information and attempt to resolve the issues. The meeting was held January 11, 1994 and the minutes from that meeting form part of the record regarding the Complaint.

By letter dated January 10, 1994, Trans Mountain requested that 1993 tolls take account of actual 1993 throughputs, which were 6.5 percent lower than the forecast on which its Application for 1993 rates was based.

Commencing January 1, 1990, Trans Mountain and the Shippers had agreed to apply the regulatory methods and decisions of the National Energy Board ("the NEB") for Trans Mountain Pipe Line Company Ltd. ("TMPL" or "the parent company") to the jet fuel pipeline, to the extent that they are applicable. The NEB's decision dated February 7, 1994 established return on rate base parameters for 1993 and 1994 and directed that TMPL calculate income taxes on a flow-through basis commencing January 1, 1993. On February 11, 1994, Trans Mountain filed revised 1993 tolls that incorporated these changes and were based on actual throughputs. The recalculated 1993 total delivery charge is \$2.593 per cubic metre, or 15.5 percent higher than the average toll for 1992.

2.0 THROUGHPUT

2.1 Lost and Unaccounted for Product

Complaint:

The Commission should direct Trans Mountain to amend its tariff so that it's clear that it is Trans Mountain's responsibility to:

- (a) deliver product within industry tolerances; - plus or minus 0.05 percent for a fully-metered system and 0.25 percent for a tank gauging system, on a monthly basis; and*
- (b) compensate Shippers for any lost product that exceeds those standards*

Trans Mountain's reported lost and unaccounted for product differences are within 0.05 percent tolerances when averaged over long time periods but can be larger for individual months. The differences do not represent physical losses or gains of product, as any fuel lost or degraded during capital or maintenance activities is charged to the project. However, the pipeline is allowed to drain naturally when not in use and differences result largely from errors in estimating the inventory in the partially filled pipeline at month end. Each month, volumetric differences are allocated pro-rata based on shipments during the month. Although a difference one month normally goes the opposite way the following month, one Shipper may deliver a different relative volume the next month and consequently the allocations may not even out.

It was agreed at the January 11, 1994 meeting that Trans Mountain would analyze the effects of balancing volumes over intervals longer than one month (Trans Mountain provided this data in its January 28, 1994 letter) and discuss the results with the Shippers' Committee with the intention of reaching consensus on an acceptable procedure. The Commission approves this approach,

2.2 Toll Adjustment Trigger

Complaint:

In the first instance, a 2 percent variance in Rate of Return should be used as a threshold that will trigger a toll adjustment application by Trans Mountain. After a trial period, the appropriateness of 2 percent may be examined to determine if a more sensitive trigger of perhaps 1 percent may be more appropriate. The Commission should also set time guidelines for the filing of an adjustment application so toll decrease applications are filed as promptly as toll increase applications.

Trans Mountain has adopted the toll adjustment mechanism in the June 1992 NEB Decision for its parent company and, in the Application, stated it:

"...provides the Commission with updates of its forecast return on equity following the first, second and third quarters. In the event such forecast should vary by 2 percent or more, in either direction, from the forecast on which the then current tolls are based, the Company will file a toll adjustment application."

Trans Mountain stated that it would not object to the Commission establishing time guidelines for toll adjustment applications providing that the guidelines cover all steps in the application process and apply to all parties. As set out in the cover letter for the July 31, 1992 rare application, revised tolls filed under the trigger mechanism would incorporate the latest estimate of throughput, rate base and operating expense through the remainder of the year and the application of the allowed rate of return. The new rates are implemented on a go forward basis. This is a different situation from temporary or interim tolls such as those in effect pending a rate hearing decision.

At the January 11, 1994 meeting, Shell, Imperial and Trans Mountain expressed concern that going to a 1 percent trigger would lead to more toll applications. Trans Mountain recognized the need for members of the Shippers' Committee to be better informed about its activities on an ongoing basis and agreed to send Shippers and the Commission a copy (as a sealed down version if necessary) of a quarterly monitoring report similar to that sent by TMPL to the NEB.

The Commission considers the trigger mechanism adopted by Trans Mountain to be a reasonable compromise of efficiency and fairness, but recognizes the need for it to be implemented in a way that is timely and evenhanded. The Commission approves the 2 percent return on common equity trigger mechanism as approved by the NEB for TMPL and directs Trans Mountain to file monitoring reports within 45 days of the end of each calendar quarter which compare the current forecast rate of return on equity to that on which rates are based, Trans Mountain is directed to file, in a timely fashion, an application for revised rates whenever its forecast return on equity differs from the approved rate by more than 2 percent. When a quarterly monitoring report leads to an application for revised rates, the Applicant is directed to compress filing deadlines so that the revised rates become effective no later than the end of the current quarter.

2.3 Throughput Basis for 1993 Tolls

In a letter dated January 10, 1994, Trans Mountain requested that 1993 tolls be based on actual 1993 throughputs, which were 6.5 percent less than forecast volumes. The revised tolls which Trans Mountain filed on February 11, 1994 to incorporate the NEB's decision regarding return on rate base and income

tax methodology were based on actual 1993 throughput. Also, Trans Mountain's March 15, 1994 letter states that actual operating costs in 1993 were higher than forecast. The Applicant calculates that using forecast throughput and operating costs to calculate 1993 rates would provide it with an actual return on equity of 8.57 percent in 1993.

The Commission does not agree that 1993 tolls should be based on actual throughputs and operating cost, as to do so would remove forecasting risk from being a responsibility of the Applicant. On the other hand, the variance between actual and forecast should have been apparent by April/May. Trans Mountain states that it was unable to file quarterly reports and a toll adjustment application as 1993 tolls had not been approved. After the fact, it is difficult to determine when revised rates would have gone into effect and the revised throughput and operating cost forecasts that they would have been based on. A more straightforward approach that is consistent with the spirit of the trigger mechanism is to establish rates that provide a return on equity that is within 2 percent of the approved return.

Trans Mountain is directed to base 1993 rates on the throughput and operating cost forecasts in its Application. Trans Mountain is further directed to adjust the resulting rates to the extent required to incorporate its actual 1993 throughput and actual 1993 operating and other costs and to earn an actual return on common equity of 9.50 percent,

3.0 RATE BASE

3.1 Forecast of Rate Base Additions

Complaint:

To balance out variances between forecast and actual results, the Airlines recommend that Trans Mountain's forecast of net plant in service be adjusted by the Commission based on its previous record of forecasting accuracy. A self-correcting adjustment should be used based on a three year rolling average comparison of forecast to actual results for net plant in service.

The Airlines were concerned that the forecast amounts included in net plant in-service were higher than actual, which resulted in an overstated revenue requirement. Trans Mountain did not object to this adjustment of the forecast, providing the calculations can be adjusted to allow for extraordinary events, and noted that capital expenditures are expected to be relatively small over the next several years,

The Commission approves the forecast of average capital additions in the Application of \$120,054 (total additions of \$274,100) for 1993 to calculate 1993 tolls. For future toll applications, the Applicant is directed to adjust capital additions forecasts by a rolling average of actual/forecast average additions for the previous three years. Trans Mountain may, with the approval of the Shippers or, failing that, of the Commission, adjust the calculation to make allowance for extraordinary events,

3.2 Allowance for Funds Used During Construction ("AFUDC")

Complaint:

Trans Mountain should be directed to follow the BCUC practice for the recording of AFUDC. AFUDC on projects that extend beyond 90 days should be calculated on a 30 day delay to take into account the payment lag.

The amount of AFUDC recorded after the forecast in-service date, \$55,000 (see the response to Information Request 6A), should be disallowed from rate base.

The AFUDC rate that Trans Mountain uses should be adjusted to reflect the rates that the Commission allows in this decision for rate of return and debt.

A comparison of Information Response 6A to the forecast in-service dates in recent toll applications indicates that, when the actual in-service date is later than forecast, a capital addition project continues to

accumulate AFUDC until the actual in-service date while earning a return though the rates as a forecast rate base addition. The opposite effect occurs if a project goes into service earlier than forecast. The adjustment discussed in Chapter 3.1 is expected to deal with this concern in future. In addition, the Commission intends to undertake a review of this aspect of AFUDC calculations and may give directions on the matter to the companies that it regulates.

Trans Mountain calculates AFUDC in accordance with the NEB's Oil Pipeline Uniform Accounting Regulations used by its parent company and Imperial and Shell supported this practice. Use of the TMPL method will allow **for** consistent accounting practices across the affiliated companies. Trans Mountain does not forecast any additions to its AFUDC account for 1993. The Commission approves **the Applicant's calculation of AFUDC using the method, including the AFUDC rate, used by TMPL.** The Commission may revisit **this matter in future** as a result of its review or upon application from Trans Mountain or a Shipper,

3.3 Capital Projects and Cost Overruns - 1992 Capital Additions

Complaint:

The Commission should disallow project costs for which Trans Mountain has failed to provide supporting evidence.

3.3.1 Control Room Addition

Complaint:

*The Commission should disallow \$50,075 - being the difference between the final cost of **\$134,250** and the original modified estimate **for** the building of \$83,175.*

The original estimate was for \$50,900 to extend the control room to add laboratory space, When preliminary design was completed in April, 1992, design considerations and the requirements of the clay treater project changed the scope to a new building costing \$83,175, This estimate was included in the July 31, 1992 rate application. The Shippers were not specifically informed of the increase but all Shippers provided letters of concurrence regarding the rate application.

Derailed design increased the estimate to \$124,900, with \$25,000 of the increase for explosion proof fittings. The revised estimate of \$124,900 was included in the Application and this was the first indication Shippers had of the cost increase. Trans Mountain tendered this construction along with the clay treater

and tank liner projects and selected the lowest bids overall that met technical requirements. Construction of the three projects was carried out during the summer, the period of high demand but also the dry season. The Applicant stated that the three 1992 projects illustrated the difficulties with coordinating several projects at the same site. It now prepares a four-year plan for capital additions and has revised its Authorization for Expenditure procedures to permit more engineering before a project is submitted for approval. The final cost of the control room is projected to be \$134,250.

The Commission is very concerned about the increases in the estimated cost of this and other projects and with the Applicant's record of informing Shippers about revised cost estimates. These concerns will be addressed in Chapter 6. At the same time, there is no evidence that the control room is other than useful and necessary. Although gasoline-type jet fuel is not an approved product at Vancouver airport at this time, apparently it has been used in the past. The use of explosion proof fittings in the control room appears acceptable. The Commission approves the addition of \$124,900 to rate base for calculating 1993 rates. It is anticipated that actual expenditures in excess of \$124,900 will be added to rate base for 1994.

3.3.2 Jet Fuel Clay Treatment System

Complaint:

The cost of the facilities exceeding \$586,140 should be disallowed from rate base. In view of the amount involved, the Commission may consider convening a specific hearing to review the costs.

The Airlines initially planned to build their own treatment facility downstream of Trans Mountain's terminal at an estimated cost of \$342,000. However, Trans Mountain indicated it would not release fuel from its terminal that did not meet the specifications in its tariff, which are the federal government standards for jet fuel quality (CAN/CGSB 3.23). The Shippers then requested the Applicant to build a simple facility to inject conductivity additive, but after discussion adopted a more flexible configuration that included a clay treater. By letter dated May 22, 1991 to Mr. Yeates of Shell, Trans Mountain stated the facility was estimated to cost \$568,640, plus or minus 10 percent. Mr. Yeates, as Chairman of the Shippers' Committee, accepted the configuration. The December 4, 1991 rate application showed \$600,000 as the cost of the project.

"Trans Mountain proceeded with engineering design that integrated these facilities with the control room and tank liner projects and generated a cost estimate of \$738,110 that was reported in the July 31, 1992 toll application. While Petro-Canada, Shell, Chevron and the Airlines were aware of the cost increase, all the Shippers provided letters of concurrence regarding this application.

This construction was also bid as part of the three project package and the selected bid was a fixed price contract plus fixed unit charges for work that was not quantified. The tendered cost of the project, based to some extent on an allocation of construction costs for the three projects, was \$800,000. Although this was a discretionary project and in spite of the significant cost increases, Trans Mountain did not review the need for the project with the Shippers before proceeding with construction. Errors and omissions in the request for tenders contributed to the difference between the tender estimate and the final cost of \$929,900.

After-the-fact prudence reviews are problematic and the Commission has found that it is preferable to approve a project based on a good quality cost estimate and review actual costs relative to that estimate. In an Inland Natural Gas Co. Ltd. ("Inland") Decision dated August 6, 1987, the Commission dealt with a cost overrun on a pipeline extension to Chase, B.C. The Commission directed that only the amount within the confidence range of the estimate should be added to rate base and that the amount disallowed should be depreciated at the approved rate and the depreciation included in the cost of service. Although the two situations are not exactly parallel, there are certain similarities between the Inland extension project and construction of the clay treater.

With regard to the clay treater, the Commission notes that the facility provides an additional service to Shippers, over and above the delivery of jet fuel. Shippers had the option of building similar facilities downstream of Trans Mountain and relied on Trans Mountain's cost estimate, at least in part, when they accepted construction of the facility by the Applicant. Trans Mountain at one time estimated the project would cost \$568,640, plus or minus 10 percent, and the subsequent estimate of \$738,110 should have been at least as reliable. At the same time, none of the Shippers made a formal complaint when it realized the cost had escalated to \$738,110. On balance, the Commission feels that the portion of the actual cost that exceeds 110 percent of \$738,110 should be disallowed.

The Commission directs that \$811,921 shall be the amount added to rate base for this project. The disallowed portion of the actual cost of the project is \$117,979 and Trans Mountain is directed to depreciate this amount at its normal rates for the facility and to include the annual depreciation amount in its cost of service,

3.3.3 Tank Liner

Complaint:

The Commission should disallow the costs exceeding \$6,425,000. In view of the amount involved, the Commission may consider convening a separate hearing to review the costs.

The portion of the costs that relate to cleanup for the spill should be excluded from rate base.

Trans Mountain initiated this project in response to Environmental Guidelines adopted by Transport Canada and to act as a prudent corporate citizen. The Airlines expressed concern at the January 11, 1994 meeting about the need for this upgrading, but none of the Shippers took issue with the project when it was first proposed. The cost estimate presented to the Shippers at a meeting in November, 1991 was \$1,425,000, the amount included in the December 4, 1991 rate application. Trans Mountain also reported that if soil testing revealed contamination that exceeded standards, a groundwater treatment facility costing approximately \$500,000 would be required.

In spite of extensive discussions, the Applicant was unable to convince Transport Canada and Environment Canada to accept less than a full liner beneath the tanks. Cost of the project was reported as \$2,017,135 in the July 31, 1992 rate application and, in a separate letter to Shippers, Trans Mountain noted the cost including \$600,000 for water treatment. As stated earlier, all Shippers gave letters of concurrence for the rate application. Final cost was \$2,267,000 including the cost of water treatment facilities.

The water treatment facility is needed to clean groundwater that has contacted soil which contains residual quantities of jet fuel. The soil contamination resulted from a spill in 1980 that was caused by a combination of operator error and equipment failure. The spill was cleaned up to the level needed at that time, but which no longer met Environment Canada's requirements in 1992. Because of the nature of the contract that established tolls up until 1989, none of the earlier cleanup costs were borne by the Shippers. While recognizing some responsibility for costs resulting from operator error, Trans Mountain argued that since insurance cannot be purchased for this sort of occurrence, both capital and operating costs for groundwater treatment are legitimate costs of providing service.

The Commission considers the Shippers, by their earlier silence and failure to make a formal complaint, accepted the need to have this facility and the cost estimate of \$2,017,175. The actual cost, although higher, is substantially within the confidence range of an estimate and there is no evidence that imprudent expenditures contributed to the over-run. With regard to groundwater treatment, the Commission notes that the Applicant was responsible for all the cost of the initial cleanup. The water treatment facilities are effectively self-insurance and the Commission considers that their cost is an acceptable addition to rate base.

The Commission directs that the amount added to rate base for this project shall be the actual cost of \$2,267,000.

3.3.4 Leak Detection and SCADA System

Complaint:

In addition, the Commission should require Trans Mountain to provide detailed justification in its explanation of its significant capital projects.

Expenditures for this project occurred largely in 1990 and 1991 and have previously been added into plant in service. The project was intended to improve monitoring of the pipeline, rather than to reduce staffing costs. At the January 11, 1994 meeting, the Airlines indicated that, after reviewing the responses from Trans Mountain, this item was no longer a significant issue. The Commission will address the need for more information about capital projects in Chapter 6.

3.4 Construction Overhead

Complaint:

The Commission should disallow 20 percent of these costs to reduce the allowable overhead to normal industry standards.

Construction overhead of \$1,167,192 was 47 percent of direct capital additions in 1992. Trans Mountain includes outside engineering and the direct involvement of its field staff when reporting overhead and this broad definition made overhead charges appear high. Also, Trans Mountain stated that the lengthy discussions to obtain government approval for the tank liner project and the complexity of simultaneously constructing the tank liner and clay treater projects at the airport terminal increased the overhead expenditures.

The Commission approves the applied-for additions of overhead to rate base and directs Trans Mountain to discuss both its practices for recording overhead and the amount recorded with the Shippers' Committee prior to filing its next rate application,

4.0 COST OF SERVICE

4.1 Rate of Return and Debt Costs

Complaint:

The Airlines recommend that a reasonable rate of return for 1993 would be in the range of 10.75 percent to 11.25 percent for Trans Mountain.

We recommend that this deemed unfunded debt component be awarded a rate of 5 percent to 6 percent which is the range of short-term interest rates for 1993.

The Application is based on a 12.50 percent return on a 47.5 percent equity component in capital structure. The remaining components are 50 percent funded debt at a cost of 10.57 percent and 2.5 percent unfunded debt at a cost of 9.50 percent. Trans Mountain proposes to return any differences between the rate of return that the NEB awards to the parent company and the rates contained in the Application.

At the January 11, 1994 meeting, the Shippers accepted that TMPL's approved return on equity is a satisfactory proxy for Trans Mountain and agreed to adopt the NEB decision regarding rate of return on equity and debt costs for TMPL for 1993 and 1994. The NEB approved a deemed common equity ratio of 47.5 percent and rates of return on common equity of 11.5 percent for 1993 and 11.25 percent for 1994. For 1993, a funded debt ratio of 50 percent and a cost rate of 10.57 percent was approved. A funded debt cost rate of 10.62 percent was approved for 1994. The rate for unfunded debt was set at 8.5 percent for 1993 and 8.25 percent for 1994. The estimated rate of return on rate base is 10.96 percent for 1993 and 10.83 percent for 1994.

Rather than adopting the NEB decision for the Applicant's parent, the Commission could hear evidence and decide these matters. However, the cost of doing so would be passed on to the Shippers. **While the Commission tends to agree with the Airlines' comment about unfunded debt rates, it is unwilling to change one rate of return component without considering all aspects of this complex matter. The Applicant is directed to use the corresponding return on equity, debt costs and capitalization ratios that the NEB approved for TMPL when calculating its return on rate base for 1993 and future years.**

4.2 Salaries and Wages

Complaint:

While the dollar amounts are small the Commission should send in a signal that restraint is required and reduce the transfers from the parent that can be recovered through tolls by 50 percent. Additionally, Trans Mountain should be directed to provide greater information about the increases in future applications.

Forecast operating expenses increased by 11 percent for 1993, with most of the increase due to salaries and wages and to property taxes. Salary and wages increased by 12 percent but only about 2 percent is attributable to Trans Mountain salary and wage increases. The majority of the increase is caused by higher salary transfer charges from TMPL. Trans Mountain forecasts it will require additional services from the parent company to maintain the new pipeline monitoring equipment and to operate the new treating facilities at the airport terminal.

The Commission is concerned with the increase from 1992 to 1993 but accepts it as a one-time increase for the additional maintenance and operating costs resulting from the new facilities. It is noted that the NEB approved annual salary and wage increases of 2.5 percent for each of 1993 and 1994 for TMPL. Since there are no large facility additions in 1993 or the next few years, the Commission expects Trans Mountain's operating and maintenance costs will not increase by more than the rate of inflation from 1993 to 1994.

The Commission approves the salary and wages forecast for 1993 and directs the Applicant and the Shippers' Committee to review both forecasts of these costs in future rate applications and the method used to allocate charges from the parent company,

4.3 Property Taxes

Complaint:

Property taxes are increasing by close to 40 percent over 1992 levels. In view of this, Trans Mountain should be directed to more aggressively pursue its options to reduce its costs in this regard.

The Applicant states that the main reason for the increase in property taxes is the addition of facilities. Although other pipelines have appealed assessments, it considers that attempting to negotiate a lower amount with the assessor is more cost-effective. At the January 11, 1994 meeting, it was agreed that the matter can be reviewed in the future by the Shippers' Committee. The Commission approves this approach,

5.0 TARIFF CONDITIONS

5.1 Rule 10 - Duty of Carrier

Complaint:

The Airlines recommend that the proposed sentence not be included in the tariff.

Trans Mountain proposes to add the following sentence to Rule 10 of its tariff:

"Carrier may also refuse to accept turbine fuel if carrier is of opinion, acting reasonably, that its airport injection and filtering facilities are incapable of upgrading the fuel so that it will meet the standards of treated turbine fuel prior to delivery."

This is one of several tariff changes in the Application. Generally, Trans Mountain proposes to amend its tariff to permit the delivery to it of jet fuel which does not meet the electrical conductivity specification of CAN/CGSB 3.23 (but which does comply with all other requirements of the standard). The clay treater facility includes equipment to inject a conductivity additive but, if a shipment cannot be brought within specification, the Shipper is responsible for removing it from the Trans Mountain system.

Trans Mountain feels that the modification to Rule 10 is needed to avoid the costly and logistically cumbersome removal of off-specification fuel. The Airlines stated that as manufacturers and users of the jet fuel, the Shippers are the best judge of whether or not a shipment meets their requirements. As will be discussed in the next chapter, this view applies to release of fuel from the Applicant's system as well as deliveries to it.

It is apparent that the Complaints regarding tariff changes result from a great deal of discussion and several disagreements in the past. The clay treater facility and the procedures established for the use of it should enable Trans Mountain to provide more flexible service to its Shippers. However, product specifications and conditions of service are complex and highly technical subjects that are often best dealt with by working groups such as the Fuel Quality Subcommittee of the Shippers' Committee. In particular, the safety of the travelling public is paramount and any changes must be acceptable to Transport Canada with regard to jet fuel quality. In this case, however, the Commission notes that the Shipper is the party at risk of the cost of removal if a shipment of fuel cannot be brought within specifications.

The Commission denies the request to add the sentence at issue to Rule 10 at this time and directs the Applicant to discuss the tariff changes and the matter of the specifications for fuel it will accept into, transport through and deliver from its system

with the Shippers' Committee, and to file a report on the matter with the Commission by September 30, 1994. In the event the report does not show consensus between Trans Mountain and the Shippers, the Applicant is directed to file an assessment of the outstanding issues by a knowledgeable and independent third party by December 31, 1994.

5.2 Rule 50 - Destination Receiving Facilities

Complaint:

The words "by highway tank truck " should be deleted from the proposed sentence.

Trans Mountain proposes to modify a provision of Rule 50 of its tariff as follows (the additions are underlined):

"In the event shipper is unable to upgrade its untreated turbine fuel so that it will meet the standards of treated turbine fuel, shipper shall take immediate steps to remove the untreated turbine fuel by highway tank truck in order to provide space in carrier's terminal tanks for the receipt of succeeding tenders, and any untreated turbine fuel not removed three (3) days after notice is given may be disposed of by carrier at the expense of the responsible party or parties."

Trans Mountain has referred to an unsuccessful attempt to remove off-specification product from the terminal at the airport by reversing its pipeline. However, it is apparent that the real issue is the Applicant's unwillingness to release fuel that does not meet the quality specifications in its tariff to the downstream facilities at the airport. The Airlines consider the Shippers to be the best judge of product quality. The Airlines also state Trans Mountain should be responsible to deliver product that is substantially the same quality as what it receives.

The Commission notes that different specifications apply to the pipeline transportation of jet fuel and to jet fuel that is loaded aboard aircraft and that, at least for particulates, the latter is more stringent. For this reason, there are filtering facilities at the airport downstream of Trans Mountain. Also, the Commission observes it may be appropriate for Trans Mountain and the Shipper to deal explicitly with regard to liability for an off-specification shipment released to a Shipper,

While the safety of the travelling public must be safeguarded, there is no evidence of changing circumstances that urgently require a change to the tariff. The Commission denies the request to add the phrase "by highway tank truck" to Rule 50 at this time and directs the Applicant to include the matter in its consultations with the Shippers' Committee ordered under Chapter 5.1.

5.3 Contamination Problems

Complaint:

Trans Mountain should be directed to compensate the Airlines in the amount of \$101,979.22 for the cost of the filter replacements.

This Complaint relates to a period in late 1990 and early 1991 when the Airlines had to replace filters because of problems with the fuel that Trans Mountain was delivering. The Applicant states that its deliveries complied with the specifications in its tariff. At the January 11, 1994 meeting, the parties agreed that this dispute should be resolved through the courts. The **Commission agrees with this** view,

6.0 SHIPPERS' COMMITTEE AND FUTURE APPLICATIONS

6.1 Shippers' Committee

Complaint:

The Commission should clarify its expectations of the Shippers Committee and how that role will work in conjunction with the Commission's mandate to regulate Trans Mountain.

At the January 11, 1994 meeting, all parties recognized the need for an improved interchange of information between the Shippers and the Applicant. The Shippers have the technical expertise and the internal resources to best evaluate operations of the Trans Mountain system and capital additions to it. A revitalized and newly empowered Shippers' Committee would give Trans Mountain confidence that more matters will be resolved at Committee meetings. On the other hand, Committee members must be better informed on an ongoing basis. This will require more and better focused information from the Applicant, including summaries of key data and ratios. Along with more formalized procedures for the review of applications, this should resolve current procedural problems so that regulation on a reporting basis can continue into the future. The Commission would become involved only if a complaint is received.

The Commission directs the Shippers to re-evaluate the composition and organization of the Shippers' Committee in consultation with Trans Mountain and to make those changes that will revitalize and empower it. Sufficient authority should be delegated to the Committee to empower it with the ability to speak for and commit individual Shippers. Furthermore, the relationship between the Committee and Trans Mountain needs to be firmly established. The Shippers' Committee is also directed to review the nature of information required in filings and how it can be packaged to better meet the needs of all parties. The Commission orders the Shippers' Committee to file a report on all of the foregoing matters by September 30, 1994,

6.2 Procedure for Future Applications

There was agreement at the January 11, 1994 meeting that Trans Mountain should meet with the Shippers' Committee to discuss all aspects and implications of a pending application for revised tolls, including the effect on future rates of capital expenditures. The application would then be filed 45 days before the effective date of the new rates. The Procedure for Filing Toll Applications, which is attached as Appendix B, sets out deadlines for several steps including dealing with information requests from interested parties. Timely actions by all parties will be essential to the success of the process.

Trans Mountain's capital expenditures are expected to be relatively small over the next several years. Nevertheless, after-the-fact prudence reviews of capital expenditures are problematic and the Commission has found that it is preferable to approve a project based on a good quality cost estimate and review actual costs relative to that estimate. Prior to the filing of a future facilities application or rate applications that include capital additions, the justification, cost, quality of cost estimate and consequences on rates of each significant project should be discussed with the Shippers' Committee in some detail. Similarly, when the cost estimate for a project changes, the Shippers should be advised in a timely fashion. Under regulation on a reporting basis, acceptance by the Shippers of the need and cost estimate for a capital expenditure will serve as a proxy for Commission approval of the project.

The Commission approves Appendix B as a procedure for dealing with future rate or capital project applications, subject to changes to allow for special circumstances. Unless a formal complaint is received within 30 days of the filing of an application, the Commission may approve the application without further review. In the event a complaint is received, the Commission will set out a process and timetable for dealing with the complaint, including rates that will be in effect until the matter is disposed of. For clarity, the Commission may accept a complaint filed by an individual Shipper or other interested party, as well as by the Shippers' Committee.

7.0 OTHER ISSUES

7.1 Effective Date of Approval of 1993 Tolls

Complaint:

In future applications, the Commission should issue an interim order to allow tolls to be charged on an interim basis pending the final decision on the application. Where an increase is sought, the existing lower rates should remain in effect until a final decision on the increase. For this application any adjustment should be made effective January 1, 1993.

Trans Mountain has been charging the tolls set out in the Application since the beginning of 1993. On October 4, 1993, the Airlines requested that Trans Mountain be directed to charge only the 1992 rates until 1993 rates are approved. The Commission's letter of October 8, 1993 stated that charging applied-for rates in advance of obtaining Commission approval has not been an uncommon occurrence for pipelines regulated under the Pipeline Act and it was not the intention of the Commission to deny Trans Mountain the opportunity to earn a reasonable return for 1993. The Commission indicated that it had deferred approval of 1993 rates so that the Airlines and Trans Mountain could resolve outstanding issues. In their December 16, 1993 letter, the Airlines stated that they were not seeking to make approval of the tolls being charged an issue, providing 1993 tolls that result from the Application are effective commencing January 1, 1993.

At the January 11, 1994 meeting, all parties confirmed their agreement that new tolls resulting from a decision on the Application which incorporated the NEB's decision for the parent company should be effective January 1, 1993. Noting that the NEB decision was released only recently, the Commission agrees with the Airlines' request that any refund include carrying charges. Trans Mountain at the meeting and the Shippers by subsequent correspondence have stated that they prefer any refund for 1993 to be a one-time payment.

The Commission endorses the use of a forward test year and the collection by Trans Mountain of applied-for tolls, subject to refund of any overpayments that result relative to the rates that are subsequently approved by the Commission. The Commission directs that the new 1993 tolls are effective from January 1, 1993, that the refund resulting from the new tolls for 1993 will be handled by a timely single repayment to Shippers and that the refund will include interest at the Applicant's average cost of unfunded debt.

7.2 Need for an Audit

Complaint:

For these reasons, the Commission should undertake an audit of the financial information set out in this and previous applications to assure Shippers that the accounting practices and application of those practices is in order.

Since Trans Mountain's financial statements are audited each year by external auditors, it would not be appropriate for the Commission to hire consultants to duplicate this action. However, Shippers could benefit from a review of the Applicant's regulatory accounting practices. Depending on its scope, such a review could be expensive. All of the Shippers have stated that the matter should be discussed by the Shippers' Committee. **The Commission directs the Shippers' Committee to consider the need for and scope of a review of Trans Mountain's regulatory accounting practices and to file a request with the Commission if it wishes to have such a review carried out,**

7.3 Flow-Through Taxes

At the January 11, 1994 meeting, it was agreed that, from 1993 onward, Trans Mountain will adopt the income tax methodology that the NEB determines for the parent company. Alternatively, the Shippers' Committee could make further submissions to the Commission regarding this matter. The NEB decision of February 7, 1994 directed TMPL to calculate income taxes on a flow-through basis commencing January 1, 1993.

The Commission directs the Applicant to calculate its provision for income taxes for 1993 and future years on a flow-through basis, Trans Mountain is directed to discuss the treatment of the accumulated deferred income tax balance with the Shippers and to file a proposal with the Commission by September 30, 1994.

7.4 Commission Costs

The Commission has not been billing its costs to pipelines that are regulated on a reporting basis as active regulation has not been involved. However, as the Commission noted in its December 8, 1993 letter, the cost of dealing with the Complaint may be billed to Trans Mountain. The cost of Commission time, including overheads, to deal with the Application and the Complaint is calculated at \$17,760. Moreover,

the Commission considers that the Applicant must share the responsibility for the less than satisfactory communications and uncertain procedures that, in part, brought about the Complaint.

The Commission will bill Trans Mountain \$17,760 as its cost of dealing with the Application and the Complaint and directs the Applicant to include 80 percent of this amount in the calculation of rates for 1993. The remaining 20 percent is to be absorbed by Trans Mountain's shareholders,

7.5 1994 Tolls

On January 31, 1994, Trans Mountain filed a Forecast Statement for 1994 setting out forecast revenues based on expected throughput and operating costs and the tolls presently being charged (i.e. those in the Application for 1993 rates). The Pipeline states it will prepare an application for approval of its 1994 tolls upon receipt of this Decision and will review the application with Shippers and file it in accordance with the procedures discussed at the January 11, 1994 meeting.

The Commission directs Trans Mountain to file an application for 1994 tolls that are consistent with the directions in this Decision and which are effective commencing January 1, 1994. Any refund resulting from the approved tolls for 1994 will be made by a timely single repayment to Shippers and will include interest at the Applicant's average cost of unfunded debt.


8.0 DECISION AND RESULTING RATES

In considering the Complaint and the Application, the Commission has had to step into a situation where regulation on a reporting basis had been the practice for some time. The regulation process was somewhat uncertain, as procedures and information Rows were often not well set out or understood by all the parties. This uncertainty at times may have strained the working relationships between Trans Mountain and the Shippers. To deal with the Complaint in this environment, the Commission has had to make somewhat arbitrary decisions about what constituted approval in the past and what portion of capital investments should be included in rate base.

The Commission estimates that the Application, as modified by the Trans Mountain revisions and the Commission adjustments, will result in a total charge for deliveries to the airport in 1993 of approximately \$2.55 per cubic metre or 9.4 percent higher than the average toll in 1992. The change to a flow-through basis for income taxes and the lower return on rate base have partially offset the effect of the substantial capital additions. **Subject to the changes and directions set out in this Decision, the Commission approves the Application and directs Trans Mountain to recalculate the 1993 tolls and to file revised rate schedules by April 29, 1994.**

Revitalization of the Shippers' Committee, better information provided by Trans Mountain and improved and more formalized communications between the parties will reduce the uncertainty that in part resulted in the Complaint. Regulation on a reporting basis has the potential to reduce costs to the Shippers, but success of the process will depend on the continued diligent efforts and goodwill of all interested parties. **Subject to the directions set out in this Decision, the Commission approves the continued regulation of Trans Mountain on a reporting basis and will only take additional regulatory action in the event of a complaint.**

DATED at the City of Vancouver, in the Province of British Columbia this day of March, 1994.



Dr. Mark K. Jaccard
Chairperson



Lorna R. Barr
Deputy Chairperson



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AN ORDER IN THE MATTER OF the Pipeline Act
R.S.B.C. 1979, c. 328, as amended

and

An Application by

Trans Mountain Enterprises of British Columbia Limited

BEFORE: M.K. Jaccard, Chairperson; and)
L.R. Barr Deputy Chairperson) March 23, 1994

O R D E R

WHEREAS:

- A. On December 29, 1992 Trans Mountain Enterprises of British Columbia Limited ("TME") applied under Section 44 of the Pipeline Act, R.S.B.C., c. 328 ("the Act") to the British Columbia Utilities Commission ("the Commission") for approval of a toll increase for the gathering of jet fuel and its delivery to the Vancouver International Airport using its Jet Fuel Pipeline, effective January 1, 1993; and
- B. On October 27, 1993 Canadian Airlines International Ltd. and the Vancouver Airport Fuel Facilities Corporation (collectively referred to as "the Airlines") filed a complaint with the Commission outlining several areas of concern involving the 1993 tolls applied for by TME; and
- C. On October 29, 1993 the Commission requested the Airlines and other users of the system, herein referred to as ("Shippers"), and TME to address the method of resolving the complaint and the proposal by the Airlines to have the Commission become more active in the regulation of TME, to which TME and the Shippers responded that the Commission should continue to regulate TME on a reporting basis; and
- D. On December 8, 1993 the Commission advised the Airlines and the Shippers that additional comments on the TME 1993 Toll Application should be filed with the Commission and scheduled a meeting among TME, the Shippers and Commission staff for January 11, 1994; and
- E. On January 10, 1994 TME advised the Commission that its actual 1993 throughput was approximately 6.5 percent lower than forecast and that an adjustment to 1993 tolls would be required; and
- F. Following the January 11, 1994 meeting, the Commission has considered TME's Application, information Ned regarding the Complaint and other supporting information, and finds that a decision on the Toll Application is in accordance with the requirements of the Act.

NOW THEREFORE the Commission orders as follows:

1. TME's Application dated December 29, 1992 to increase the 1993 tolls on its Jet Fuel Pipeline is approved, subject to the adjustments set out in the Decision issued concurrently with this Order.

BRITISH COLUMBIA
UTILITIES COMMISSION

2

ORDER
NUMBER P-2-94

2. TME will file with the Commission by April 29, 1994 its rates and tolls effective January 1, 1993 and will refund overpayment amounts to Shippers as set out in the Decision issued concurrently with this Order.
3. The Commission will bill TME \$17,760 as its cost of dealing with the Complaint and TME will include 80 percent of this amount or \$14,208 in its calculation of 1993 tolls and the remaining \$3,552 will be absorbed by TME's shareholders.
4. TME will file an application for Commission approval of the 1994 tolls as set out in the Decision issued concurrently with this Order,
5. TME and the Shippers **will** implement the several directives to revitalize the Shippers' Committee and improve communications that are contained in the Decision issued concurrently with this Order.
6. The Commission will continue to regulate TME on a reporting basis and will only take additional regulatory action in the event of a complaint.

DATED at the City of Vancouver, in the Province of British Columbia, this 25th day of March, 1994.

BY ORDER



Dr. Mark K. Jaccard
Chairperson

LIST OF EXHIBITS

Exhibit
No.

Trans Mountain Enterprises of British Columbia Limited Application to the Commission, dated December 29, 1992 for new Tolls effective January 1, 1993	1
Canadian Airlines International Ltd. and Vancouver Airport Fuel Facilities Corporation ("the Airlines"), written submission to the Commission, dated October 27, 1993 ("the Complaint")	2
Trans Mountain Enterprises of British Columbia Limited letter to the Commission, dated November 24, 1993 responding to the Complaint	
Trans Mountain Enterprises of British Columbia Limited letter to Bull, Housser & Tupper (counsel for the Airlines), dated September 17, 1993 - responding to the Airlines' Information Request #1	
Trans Mountain Enterprises of British Columbia Limited letter to the Commission, dated October 18, 1993 - responding to the Airlines' Information Request #2	
Commission letter to: Russell & Dumoulin; Trans Mountain Enterprises of British Columbia Limited; Bull, Housser and Tupper; Chevron Canada Limited; Shell Canada Limited Products; Petro-Canada Products; and Imperial Oil Products Division Pipeline Operations, dated February 16, 1994 - enclosing Minutes of January 11, 1994 Meeting	6
Trans Mountain Enterprises of British Columbia Limited Application dated July 31, 1992 for new Tolls effective August 1, 1992	
Trans Mountain Enterprises of British Columbia Limited letter to the Commission, dated March 19, 1993	8
Trans Mountain Enterprises of British Columbia Limited letter to the Commission, dated July 26, 1993	9
Bull, Housser & Tupper letter to the Commission, dated August 9, 1993 - stating the Airlines wished to contest the Toll Application	10
Commission letter to Bull, Housser & Tupper, dated August 17, 1993	11
Trans Mountain Enterprises of British Columbia Limited letter to the Commission, dated September 10, 1993	12
Bull, Housser & Tupper letter to the Commission, dated October 4, 1993 - discussing the toll that should be charged	13
Commission letter to Bull, Housser & Tupper, dated October 8, 1993	14
Commission letter to Bull, Housser & Tupper, dated October 29, 1993 - requesting clarification of proposal for more active regulation	15

LIST OF EXHIBITS
(Cont'd)

	<u>Exhibit No.</u>
Bull, Housser & Tupper letter to the Commission, dated November 1, 1993 - responding to October 29, 1993 letter	16
Bull, Housser & Tupper letter to the Commission, dated November 5, 1993	17
Petro-Canada Products letter to the Commission, dated November 15, 1993	18
Shell Canada Limited letter to the Commission, dated November 16, 1993	19
Imperial Oil, Products Division Pipeline Operations letter to the Commission, dated November 15, 1993	20
Trans Mountain Enterprises of British Columbia Limited, letter to the Commission, dated November 23, 1993	21
Chevron Canada Limited letter to the Commission, dated November 29, 1993	22
Commission letter to: Trans Mountain Enterprises of British Columbia Limited; Bull, Housser and Tupper; Chevron Canada Limited; Shell Canada Limited Products; Petro-Canada Products; and Imperial Oil Products Division Pipeline Operations, dated December 8, 1993 - regarding process for dealing with the Toll Application and Complaint	23
Bull, Housser & Tupper letter to the Commission, dated November (sic, December) 16, 1993 - providing additional comments	24
Shell Canada Limited letter to the Commission, dated December 15, 1993	25
Trans Mountain Enterprises of British Columbia Limited, letter to the Commission, dated December 17, 1993	26
Bull, Housser & Tupper letter to the Commission, dated December 20, 1993	27
Commission letter to: Trans Mountain Enterprises of British Columbia Limited; Bull, Housser and Tupper; Chevron Canada Limited; Shell Canada Limited Products; Petro-Canada Products; and Imperial Oil Products Division Pipeline Operations, dated December 22, 1993 - setting our January 11, 1994 Meeting	28
Commission letter to: Russell & Dumoulin; Trans Mountain Enterprises of British Columbia Limited; Bull, Housser and Tupper; Chevron Canada Limited; Shell Canada Limited Products; Petro-Canada Products; and Imperial Oil Products Division Pipeline Operations, dated January 20, 1994 - discussing need for and cost of review of regulatory accounting practices	29
Shell Canada Limited letter to the Commission, dated January 27, 1994	30
Petro-Canada Products letter to the Commission, dated January 28, 1994	31
Imperial Oil, Products Division Pipeline Operations letter to the Commission, dated January 28, 1994	32

**LIST OF EXHIBITS
(Cont'd)**

	<u>Exhibit No.</u>
Chevron Canada Limited letter to the Commission, dated February 11, 1994	33
Bull, Housser & Tupper letter to the Commission, dated January 28, 1994	34
Trans Mountain Enterprises of British Columbia Limited letter to the Commission, dated January 28, 1994	35
Trans Mountain Enterprises of British Columbia Limited letter to the Commission, dated February 2, 1994	36
Trans Mountain Enterprises of British Columbia Limited letter to the Commission, dated January 10, 1994 - requesting use of actual 1993 throughput to calculate tolls	37
Trans Mountain Enterprises of British Columbia Limited letter to the Commission, dated January 31, 1994	38
Trans Mountain Enterprises of British Columbia Limited letter to the Commission, dated February 10, 1994 - filing February 7, 1994 NEB Decision for Trans Mountain Pipe Line Company Ltd.	39
Trans Mountain Enterprises of British Columbia Limited letter to the Commission, dated February 11, 1994 - filing recalculated 1993 tolls	40
Trans Mountain Enterprises of British Columbia Limited letter to the Commission, dated March 15, 1994 - filing recalculated 1993 tolls	41
National Energy Board Order No. TO-3-92 - establishing toll adjustment trigger mechanism for Trans Mountain Pipe Line Company Ltd.	42
Trans Mountain Enterprises of British Columbia Limited letter to the Commission, dated March 17, 1994	43
Bull, Housser & Tupper letter to the Commission, dated March 18, 1994	44
Commission Memoranda	45

Regulation of Intraprovincial Oil Pipelines on a Reporting Basis

Procedure for Filing Toll Applications

(Similar procedure would apply to major capital projects)

1. Meet with Shipper's Committee to discuss Application prior to filing
2. Application filed 45 days before effective date of revised tolls
3. Filing of Application with BCUC, interested parties Day # 0
4. Interested parties submit information requests Day # 12
5. Applicant's responses to I. R.'s Day # 22
6. Interested parties file submissions Day # 30

