SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. V6Z 2N3
CANADA

BRITISH COLUMBIA UTILITIES COMMISSION

BRITISH COLUMBIA
UTILITIES COMMISSION

ORDER
NUMBER P-1-98

TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

IN THE MATTER OF
the Pipeline Act, R.S.B.C. 1996, c. 364

and

An Application by Morrison Petroleums Ltd.
for Approval to Refund Shippers the Balance of its Rate Stabilization Account

BEFORE:	P. Ostergaard, Chair	)	
	L.R. Barr, Deputy Chair	)	
	K.L. Hall, Commissioner	)	March 3, 1998
	F.C. Leighton, Commissioner	)	
	P.G. Bradley, Commissioner	)	

O R D E R

WHEREAS:

A. The Commission, by Order No. P-1-94, approved for Morrison Petroleums Ltd. ("Morrison") increased rates on its BC Light and Boundary Lake to Taylor, B.C. crude oil pipelines effective March 1, 1994; and

B. Morrison established a rate stabilization account in 1994 and, in 1997, reported a stabilization balance of approximately $4 million for the period March 1, 1994 to December 31, 1996, due to higher throughput and a lower actual loss allowance than was recovered in the rates; and

C. From July 1997 to January 1998, Morrison discussed with its shippers, alternative proposals for the distribution of the stabilization account balance related to the 1994 to 1996 oil shipments; and

D. The Commission required, that if negotiations were unsuccessful, Morrison was to apply by January 30, 1998 for a proposed distribution methodology and shippers were to comment on Morrison's Application or propose an alternative methodology; and

E. On January 30, 1998, Morrison advised the Commission that it was unable to reach an agreement with its shippers and submitted an Application for approval of a refund methodology. The Application proposes using the relative value of the loss allowance revenue collected from the shippers from March 1, 1994 to December 31, 1996 as the basis for refunding the $4 million balance in the stabilization account. Comments were received from some shippers that supported various distribution proposals; and

. . . /2

F. The Commission has reviewed the Application and the shippers' comments and finds that a decision can be made on the refund methodology.

NOW THEREFORE the Commission orders as follows:

1. Morrison is to refund the March 1, 1994 to December 31, 1996 balance in the rate stabilization account to shippers based on the relative value of the loss allowance revenue collected from the shippers, including interest at rates reflected in the tolls. The Commission's Reasons for Decision are attached as Appendix A.

2. Morrison is to provide all shippers with a copy of this Order and advise them of their refund. Morrison is to provide the Commission with a detailed reconciliation of the stabilization account refund.

DATED at the City of Vancouver, in the Province of British Columbia, this 18th day of March, 1998.

BY ORDER

Original signed by:

Peter Ostergaard
Chair

Attachment

REASONS FOR DECISION

Morrison Petroleums Ltd. ("Morrison"), operator of the Northeast B.C. Pipeline, has discussed with its shippers a number of alternative proposals for the distribution of the rate stabilization balance that was accumulated during the period March 1, 1994 to December 31, 1996. The proposals calculate the distributions using either a two rate base, five rate base, or loss allowance and two rate base combination and were discussed from July 1997 to January 1998. In its January 30, 1998 Application, Morrison described the proposals, explained that it was unable to reach agreement with its shippers on an acceptable distribution methodology and requested approval to allocate the stabilization account balance to the shippers based on their relative value of the loss allowance revenue collected during the period.

The Commission has considered Morrison's Application and the comments received from the shippers regarding the selection of the refund methodology.

The Commission does not accept the five rate base method. The stabilization account summaries included in the July 28, 1997 Canadian Natural Resources Limited complaint show that the BC Light Connected has a cumulative deficit in the stabilization account for the 1994 to 1996 period. In order to correct the cumulative deficit, a retroactive rate increase would be required which is not acceptable to the Commission. Another shortcoming of the five rate base method is a proposed refund to truck shippers of about $1.79/m^3 for 1994 and 1995 and about $2.23/m^3 for 1996 when the toll collected for truck deliveries was $1.81/m^3. To provide a 1996 refund to truck shippers that exceeds the toll collected is not reasonable.

The two rate base method was not discussed between Morrison and its shippers until 1997 and to utilize that method would involve retroactive ratemaking which is not acceptable to the Commission.

The Commission notes that in Proposal #3 the loss allowance revenue is approximately $3.6 million or 90% of the stabilization account balance. The loss allowance charge of one-half of one percent is applied to all volumes whether received at a truck terminal or pipeline receiving point. If a loss allowance was not charged, the stabilization account balance would then be approximately $400,000 as losses due to evaporation and unaccounted for reasons would still occur. The stabilization account is comprised of tolls collected that exceed the cost of service and loss allowance collected that exceeds the actual losses incurred. No information is available from Morrison on the actual volume losses for the 1994 to 1996 period therefore a segregation of the stabilization account between excess net toll revenue and excess net loss allowance revenue is not possible. The Commission does not believe that a segregation of the stabilization account between excess net toll revenue and excess net loss allowance revenue is required in order for the Commission to reach a decision on a refund methodology.

The Commission accepts that, based on the information provided, the loss allowance revenue represents a significant portion of the stabilization account and serves as a reasonable basis upon which to refund the balance in the rate stabilization account to shippers. The Commission accepts that using the relative value of the loss allowance revenue collected from shippers as the basis for the full refund is consistent with the proposal to refund the loss allowance revenue and avoids the use of another allocation basis for the remaining 10% of the stabilization account balance.

With regards to the current stabilization account and tolls, the Commission requires Morrison to prepare an application, which it discusses with its shippers, that addresses the refund of the rate stabilization account for 1997, the setting of a reasonable level of loss allowance, and whether tolls should be changed in 1998. Morrison is required to file the application by June 1, 1998 and comments should be provided from all shippers by June 19, 1998.