



LETTER NO. L-34-03

ROBERT J. PELLATT
COMMISSION SECRETARY
Commission.Secretary@bcuc.com
web site: <http://www.bcuc.com>

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. CANADA V6Z 2N3
TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

July 10, 2003

«name1»
«title»
«company»
«address1»
«address2»
«City»«PostalCode»

Dear «name2»:

Re: Regulation of Intraprovincial Oil Pipelines

Intraprovincial oil pipelines are regulated by the Oil and Gas Commission ("OGC") and the British Columbia Utilities Commission ("BCUC", "the Commission"). The OGC is a Crown Corporation responsible for the oil pipeline regulation from a technical and safety perspective; it oversees pipeline inspection and integrity management programs to ensure B.C.'s pipelines are properly designed, constructed, operated, and maintained. The BCUC is responsible for the financial regulation of oil pipelines that are common carriers, including tolls and conditions of service.

Three statutes establish the regulatory framework for the OGC and the BCUC. The *Oil and Gas Commission Act* establishes and defines the powers of the OGC. Section 65 of the *Utilities Commission Act* enables the BCUC to declare common carrier status for an energy pipeline and establish conditions under which a common carrier must accept and carry crude oil, natural gas, natural gas liquids or any other type of energy resource.

The third statute, the *Pipeline Act*, is administered by the OGC except for Part 7. Part 7 sets out the BCUC's authority as it relates to oil pipelines located entirely within the Province of British Columbia which are also common carriers. For example:

- s. 42. Subject to exceptions or conditions the British Columbia Utilities Commission approves, a common carrier must, according to its powers, without delay and with due care and diligence, receive, transport and deliver all oil offered for transportation by means of its company pipeline.
- s. 43. The British Columbia Utilities Commission may require a common carrier to provide adequate and suitable facilities for receiving, transporting and delivering all oil offered for transportation by means of its company pipeline, and adequate and suitable facilities for storage of oil at the junction of its line with other pipelines.
- s. 44. A common carrier must not charge a toll unless it is specified in a tariff that has been filed with the British Columbia Utilities Commission and is in effect.

The BCUC has traditionally regulated oil pipelines under Part 7 of the *Pipeline Act* on a reporting or complaint basis. The pipeline companies and shippers negotiate the terms, conditions and rates for service, which are then filed with the BCUC. In the absence of a complaint from an interested party, without further

review the Commission confirms that the general terms and rates in the negotiated Agreement are in compliance with the governing Acts, and approves the Agreement and resulting tolls in accordance with Section 44 of the *Pipeline Act*. Under this reporting method of regulation, the Commission does not specifically review or approve the tolling methodology.

The Commission will continue with the reporting method of regulation and provides the following update to the reporting requirements for oil pipelines.

1. Tariffs are to be negotiated between the parties and must be filed with the Commission for approval.
2. When an application for a toll revision is filed, a copy of the application and other filed information is to be distributed to the shippers, and the Commission is to be informed that such documents have been distributed.
3. Each pipeline is to file an updated shipper's list with the Commission whenever the list of shippers changes.
4. Complaints received by the Commission will be investigated in accordance with Sections 46 and 52 of the Pipeline Act. A copy of Part 7 of the Pipeline Act is attached to this letter.
5. A forecast statement should be filed 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 revenue and expenses forecast based on expected throughput. A copy of the statement is to be provided to the shippers.
6. A variance statement should be filed within 60 days after the fiscal year-end and will compare the actual costs and revenues to the forecast for the year just ended. A copy of the statement is to be provided to the shippers.
7. Your company is to advise both the Commission and the shippers of any significant capital expenditure plans which would lead to an increase in tariffs. Concurrence must be sought from the shippers at least 60 days prior to initiating construction.
8. Each pipeline is to provide a copy of this letter to all of its shippers, and any subsequent new shippers, for their information.
9. All intraprovincial oil pipelines should include two sets of tariff sheets for approval with any tariff applications. One copy of the tariff sheet(s) will be returned to you showing the Commission Order Number and effective date. The other copy is retained by the Commission and filed.

The Commission records its approval of the tariff sheet(s) by applying an approval stamp and requests that all future tariff sheet(s) that are filed contain sufficient clear space in the lower right corner for the approval stamp.

It is also acceptable for the pipeline company to type in the approval stamp layout as part of the tariff sheet(s) in the lower right corner. All areas in the approval stamp to the right of the descriptions must be left blank and a line is required for the Commission Secretary's signature. The approval stamp layout is as follows:

Accepted for filing:	_____
Effective:	_____
Order No.	_____
_____ Secretary B.C. UTILITIES COMMISSION	

The above procedures will assist the Commission in continuing with regulation on a reporting basis at minimal cost to the pipelines. With the present method of regulation, an annual fee is charged by the Commission and complaint resolution costs will only be levied where significant. If a more rigorous form of regulation becomes necessary, all related Commission costs would have to be levied to the pipeline involved. For clarification of any of the above, please contact Philip Nakoneshny via e-mail philip.nakoneshny@bcuc.com, by telephone at (604) 660-4737 or B.C. Toll Free: 1-800-663-1385.

Yours truly,

Original signed by:

Robert J. Pellatt

RJP/yl

Enclosure

cc: Mr. Richard Caesar
Chief Inspecting Engineer
Oil and Gas Commission
For Information Only

Mr. Ken F. Bills, RET
Supervisor,
Pipeline Services & Business Development
Plateau Pipe Line Ltd.
PO Box 1948 707
8th Avenue SW
Calgary, AB T2P 2M7

Mr. Michael W.P. Boyle
Corporate Solicitor
Terasen Pipelines (Jet Fuel) Inc.
Suite 2700 Stock Exchange Tower
300 – 5th Avenue SW
Calgary, AB T2P 5J2

Mr. Darrell Cook
Operations Manager
EnerMark Inc.
Western Canadian Place
1900 – 700 – 9th Avenue SW
Calgary, AB T2P 4B3