



**ORDER NUMBER**  
**G-350-24**

IN THE MATTER OF  
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Plateau Pipe Line Ltd.  
Abandonment of Service as a Common Carrier  
on the Northern Segment of the Western Pipeline System

**BEFORE:**

T. A. Loski, Panel Chair  
E. A. Brown, Commissioner  
B. A. Magnan, Commissioner

on December 20, 2024

**ORDER**

**WHEREAS:**

- A. On October 7, 2024, Plateau Pipe Line Ltd. (Plateau), a wholly-owned subsidiary of Pembina Pipeline Corporation and general partner of Pembina West Limited Partnership, filed an application (Abandonment Application) with the British Columbia Utilities Commission (BCUC) for approval to abandon common carrier service on the northern segment (Northern Segment) of the western pipeline system (Western System) pursuant to sections 65 and 72(2) of the *Utilities Commission Act* (UCA);
- B. By Order G-262-24 dated October 18, 2024, the BCUC established a public hearing process and regulatory timetable to review the Abandonment Application;
- C. On November 8, 2024, Plateau filed, among other things, a proposal for an interim toll for the Western System starting January 1, 2025;
- D. By Orders G-301-24 and G-332-24 dated November 19, 2024 and December 12, 2024, respectively, the BCUC established further regulatory timetables including:
  - (i) submissions of supplemental information (Supplemental Information) from Plateau and Tidewater Midstream and Infrastructure Ltd. (Tidewater);
  - (ii) any further submissions by Plateau and Tidewater regarding an interim toll for the Western System and reply comments to the Supplemental Information;
  - (iii) Plateau and Tidewater reply; and
  - (iv) further process to be determined; and
- E. The BCUC considers the following determinations to be warranted.

**NOW THEREFORE** for the reasons outlined in the decision accompanying this order, the BCUC orders as follows:

1. An interim toll of \$85.28/m<sup>3</sup> is established for service on the Northern Segment of the Western System (Interim Toll) for the period January 1, 2025 to the earlier of either December 31, 2025 or the date of an order approving abandonment of common carrier service on the Western System (Interim Period).
2. Any difference between the Interim Toll and the permanent toll for service on the Northern Segment of the Western System will be subject to refund or recovery with interest at the average prime rate of Plateau's principal bank for its most recent year.
3. Subject to Directive 4, the conditions governing service on the Northern Segment of the Western System during the Interim Period shall be the service terms contained in the Pembina Pipeline Corporation Rules and Regulations.
4. During the Interim Period, Plateau must not discontinue its historical practice of waiving defaults by Tidewater respecting deliveries of crude oil outside of the applicable specifications without BCUC approval.
5. Plateau is directed to file a revised toll schedule with the BCUC for endorsement within 30 days of this order, reflecting the determinations in the decision accompanying this order.
6. A further regulatory timetable, as set out in Appendix A to this order, is established.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 20<sup>th</sup> day of December 2024.

BY ORDER

*Electronically signed by Tom Loski*

T. A. Loski  
Commissioner

Plateau Pipe Line Ltd.  
Abandonment of Service as a Common Carrier  
on the Northern Segment of the Western Pipeline System

**REGULATORY TIMETABLE**

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Action	Date (2025)
Intervener evidence	Tuesday, January 21
Plateau rebuttal evidence, if any	Tuesday, February 4
BCUC and Tidewater Information Request (IR) No. 1 to Plateau	Wednesday, February 19
BCUC and Plateau Information Request (IR) No. 1 to Tidewater	Wednesday, February 19
Plateau and Tidewater responses to IR No. 1	Wednesday, March 5
Plateau final argument	Wednesday, March 19
Tidewater final argument	Wednesday, April 2
Plateau reply argument	Wednesday, April 9

Plateau Pipe Line Ltd.  
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**REASONS FOR DECISION**

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## **1.0 Background and Plateau Interim Toll Application**

On October 7, 2024, Plateau Pipe Line Ltd. (Plateau), a wholly-owned subsidiary of Pembina Pipeline Corporation and general partner of Pembina West Limited Partnership, filed an application (Abandonment Application) with the British Columbia Utilities Commission (BCUC) for approval to abandon common carrier service on the northern segment (Northern Segment) of the western pipeline system (Western System) pursuant to sections 65 and 72(2) of the *Utilities Commission Act (UCA)*.<sup>1</sup>

By Order G-262-24 dated October 18, 2024, the BCUC established a public hearing process and regulatory timetable to review the Abandonment Application. Tidewater Midstream and Infrastructure Ltd. (Tidewater), the sole shipper on the Western System, registered as the only intervener in the proceeding.

On November 8, 2024, Plateau filed an application pursuant to section 65(3.1)(a) of the UCA, seeking BCUC approval of an interim toll for service on the Western System for the period of January 1, 2025 to December 31, 2025, or until the BCUC issues an order approving abandonment of common carrier service on the Western System, whichever comes first (Interim Period).<sup>2</sup>

Plateau requests that the interim toll be set at \$100.89/m<sup>3</sup> for the Interim Period. This includes approximately \$49.6 million in operating costs (inclusive of approximately \$20.7 million for integrity work to be undertaken at South Taylor Hill in 2025<sup>3</sup>), a management fee of \$1.875 million, income taxes, and a \$3.215 million contribution towards abandonment costs. Plateau based its interim toll on an estimated annual throughput volume of 547,500 m<sup>3</sup>, or 1,500 m<sup>3</sup> per day.<sup>4</sup>

Additionally, Plateau seeks to have the terms of service for the Western System for the Interim Period remain those contained in the Pembina Pipeline Corporation Rules and Regulations (Rules and Regulations). Specifically, Plateau requests that the BCUC direct that Tidewater comply with the Rules and Regulations during the Interim Period and, in particular, provide a performance assurance in accordance with section 27 of the Rules and Regulations as a condition of receiving service.<sup>5</sup>

Plateau proposes that the interim toll be subject to a true-up at the end of the Interim Period, which would rebase Plateau's revenue requirement to reflect actual expenses incurred during the Interim Period.<sup>6</sup>

Subsequently, Plateau revised its requested interim toll to \$97.33/m<sup>3</sup>, reflecting a higher estimate of annual throughput volume based on average annual volumes shipped between 2018 and 2024. All other cost drivers remained unchanged. Plateau's revised interim toll request is summarized in Table 1, below.<sup>7</sup>

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<sup>1</sup> Exhibit B-1, p. 1.

<sup>2</sup> Exhibit B-4, pdf p. 3.

<sup>3</sup> The South Taylor Hill project is a proposed horizontal directional drilling project to address accelerating slope instability at South Taylor Hill which Plateau submits poses a risk to the integrity of the Western System. Exhibit B-3, pp. 4–5.

<sup>4</sup> Exhibit B-4, pdf pp. 3–6, 8.

<sup>5</sup> Exhibit B-4, pdf pp. 3, 6.

<sup>6</sup> Exhibit B-4, pdf pp. 5–6.

<sup>7</sup> Exhibit B-6, pp. 6–7, Appendix B, p. 14.

**Table 1: Plateau Revised Interim Toll Calculation<sup>8</sup>**

<b>Rate Base (\$000's)</b>	\$22,698
<b>Rate of Return</b>	8.26%
<b>Revenue Requirement (\$000's)</b>	
Operating Costs	\$49,584
Return on Capital	\$1,875
Return of Capital	\$0
Provision for Income Taxes	<u>\$564</u>
<b>Total</b>	<u>\$52,023</u>
<b>Annual Contribution for Abandonment Costs (\$000's)</b>	\$3,215
<b>Throughput (thousand-m<sup>3</sup>)</b>	<del>\$48</del> 567,500
<b>Tolls (\$'s per m<sup>3</sup>)</b>	
Based on Revenue Requirement	<del>\$95.02</del> \$91.67
Based on Abandonment Costs	<del>\$5.87</del> \$5.66
Combined	<del>\$100.89</del> \$97.33

## 2.0 Positions of the Parties

### *Tidewater's Position*

Tidewater raises several concerns with Plateau's proposed interim toll and the underlying revenue requirement calculation.

First, Tidewater strongly objects to the inclusion of approximately \$20.7 million in costs associated with Plateau's planned South Taylor Hill Project, stating such costs make up nearly 40 percent of Plateau's revenue requirement. Tidewater contests the prudence of this work, arguing that it is the highest cost alternative and carries a high risk of failure. Tidewater believes there are several alternatives that are lower risk and significantly more cost-effective, including supported above-ground pipeline installations. Tidewater states that the BCUC can balance Plateau's concern about being able to collect costs needed to mitigate the South Taylor Hill slope stability issue and Tidewater's concern about being charged an excessive interim toll by approving interim tolls based on a \$6 million "higher-end estimate" of these alternative solutions.<sup>9</sup>

Tidewater also objects to inclusion of an abandonment cost surcharge in the interim toll. Tidewater argues that there is no basis for including this surcharge and that Plateau's request contradicts past practices and agreements, particularly the previous negotiated settlement agreement, which excluded shippers from liability for abandonment and reclamation obligation (ARO) costs. Tidewater asserts that Plateau has already collected funds for the abandonment of the Western System through tolls charged to shippers over the past 24 years and that Plateau has sufficient financial resources for abandonment.<sup>10</sup>

Tidewater also opposes Plateau's proposed management fee and the semi-depreciated rate base methodology underlying the fee, arguing that this approach is unjustified and has no precedent. In Tidewater's view, Plateau's concerns about a vanishing rate base should be addressed by Plateau making the necessary capital investments to extend the life of the pipeline life and adding those costs to rate base. As such, Tidewater submits that the BCUC should exclude the \$1.875 million management fee from the interim toll.<sup>11</sup>

<sup>8</sup> Exhibit B-6, Appendix B, p. 14.

<sup>9</sup> Exhibit C1-4, pp. 5–6, 12.

<sup>10</sup> Exhibit C1-4, pp. 7–8.

<sup>11</sup> Exhibit C1-4, pp. 3–5.

Finally, regarding throughput, Tidewater submits that Plateau's estimate of 2025 shipment volumes based on average historical volumes is unreasonably low, as it fails to account for refinery turnaround years and major pipeline outages. Tidewater reports that when refinery turnaround years are excluded, average crude oil consumption at the refinery was 619,400 m<sup>3</sup> between 2018 and 2024. As no major turnaround or other refinery outages are scheduled for 2025, Tidewater considers an estimate of 610,000 m<sup>3</sup> to be the most appropriate throughput volume for use in calculating the interim toll.<sup>12</sup>

Tidewater also expresses several concerns with continued use of the Rules and Regulations for governing the terms and conditions of service on the Western System, arguing that the Rules and Regulations unfairly favour the carrier.<sup>13</sup>

Tidewater submits that the requirement for performance assurances as set out in section 27 of the Rules and Regulations is excessively punitive and does not require Plateau to act reasonably. Tidewater states that a \$13.6 million letter of credit required in accordance with this section would cost Tidewater \$408,000 in annual issuance fees and proposes that, if the BCUC considers a performance assurance from Tidewater to be necessary, it instead be required to prepay the monthly amount of the toll based on a rate of \$61.39/m<sup>3</sup>.<sup>14</sup>

Further, Tidewater notes that Plateau has a common law lien on the Western System line fill in its possession and that, at a current price of approximately \$92.60 CAD per barrel, this represents approximately \$16.2 million in value. Tidewater argues that this, together with the pre-payment of one month of tolls, provides Plateau sufficient security in the event of any future Tidewater insolvency.<sup>15</sup>

Tidewater also expresses concern with the power granted to Plateau under the Rules and Regulations to establish and change quality specifications and to determine crude quality at its sole discretion. Tidewater believes Plateau could use this discretion in a manner that negatively affects Tidewater. Tidewater argues that Plateau should be required to file reasonable quality specifications with the BCUC and that the Rules and Regulations must be modified such that Plateau is not permitted to act unreasonably in enforcing its crude quality specifications or other aspects of the Rules and Regulations.<sup>16</sup>

Tidewater submits that, to ensure it can continue to rely on the Western System without facing unreasonable restrictions or costs, any references to Plateau's "sole discretion" in the Rules and Regulations should be revised to require Plateau to act reasonably when exercising such discretion.<sup>17</sup>

### *Plateau's Reply*

Plateau maintains that the South Taylor Hill Project is both necessary for continued operation of the Western System and technically feasible. Plateau submits that it is an experienced pipeline operator and has extensive experience operating surface pipeline segments of the type proposed by Tidewater. In Plateau's view, Tidewater's approach would only be suitable as a short-term mitigation measure for the South Taylor Hill pipeline instability, as it would require continuous monitoring, frequent maintenance, and presents an unacceptably high probability of long-term shutdowns or pipeline failure.<sup>18</sup>

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<sup>12</sup> Exhibit C1-6, p. 4; Exhibit C1-3, p. 1.

<sup>13</sup> Exhibit C1-3, pp. 2–5; Exhibit C1-6, pp. 4–6.

<sup>14</sup> Exhibit C1-3, p. 4.

<sup>15</sup> Exhibit C1-6, p. 6.

<sup>16</sup> Exhibit C1-3, pp. 2–3; Exhibit C1-6, p. 5.

<sup>17</sup> Exhibit C1-3, pp. 2–3; Exhibit C1-6, p. 5.

<sup>18</sup> Exhibit B-4, pdf pp. 4–5; Exhibit B-8, pp. 4–5.

Plateau maintains that it has not previously collected ARO costs in tolls for the Northern Segment of the Western System, and that Tidewater has provided no evidence to the contrary. Plateau submits that its proposed abandonment cost collection mechanism represents a principled approach to recovering a portion of ARO costs and is consistent with the National Energy Board's holdings that ARO is a legitimate cost of service.<sup>19</sup>

Regarding its proposed management fee, Plateau submits that the Western System is fully depreciated and therefore Tidewater's proposed approach would result in no opportunity for Plateau to earn a return during the Interim Period. In Plateau's view, the proposed management fee of \$1.875 million represents just and reasonable compensation for the risks and opportunity costs incurred in operating the Western System.<sup>20</sup>

Regarding the Rules and Regulations, Plateau submits that modifying references to its sole discretion is redundant and unnecessary, particularly given the brief period of time for which the interim toll would be in effect. Further, Plateau notes that Tidewater has the ability to file a complaint with the BCUC should Tidewater feel that Plateau has not been acting reasonably in exercising its discretion.<sup>21</sup>

Plateau opposes Tidewater's proposed modification to the performance assurance provision of the Rules and Regulations, arguing that this would represent a change to a long-standing requirement and expose Plateau to an unacceptable level of risk. Plateau submits that its performance assurances required by the Rules and Regulations are industry standard and that adequate performance assurance is essential on the Western System given Tidewater's declining financial performance.<sup>22</sup>

Finally, in response to Tidewater's proposal to limit Plateau's ability to enforce its rules pertaining to crude quality specifications, Plateau submits that the specifications are standard across the downstream industry and although it has historically waived defaults by Tidewater respecting deliveries outside of the specifications, it is not obligated to continue to do so.<sup>23</sup>

### 3.0 Panel Determination

**For the reasons set out below, the Panel finds that establishment of an interim toll of \$85.28/m<sup>3</sup> for service on the Northern Segment of the Western System for the Interim Period is warranted. The Panel also finds that approval of the Rules and Regulations for the purpose of governing the conditions of service on the Northern Segment of the Western System for the Interim Period is warranted, subject to certain adjustments.**

Plateau has requested BCUC approval to abandon common carrier service on the Western System. Interim tolls and conditions of service are necessary to govern Plateau's provision of service to Tidewater, beginning January 1, 2025, while the BCUC adjudicates Plateau's abandonment request.

The Panel has considered the various elements that underlie the interim toll requested and notes that while Plateau and Tidewater do not agree on the appropriate solution to address slope stability concerns along the Western System pipeline route, both parties appear to agree that action is necessary in 2025 to maintain the integrity of the pipeline. For the purposes of establishing an interim toll, the Panel considers it reasonable to rely on the project cost estimate provided by Plateau, the pipeline operator, who is directly accountable for the integrity of the Western System. The Panel expects the necessity of the South Taylor Hill Project to be examined

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<sup>19</sup> Exhibit B-8, pp. 5–6; Exhibit B-5, pdf pp. 8–9; See also NEB Decision MH-001-2013, Set-Aside and Collection Mechanisms (May 2014).

<sup>20</sup> Exhibit B-4, pdf p. 5; Exhibit B-8, pp. 2–4.

<sup>21</sup> Exhibit B-6, pp. 2–3.

<sup>22</sup> Exhibit B-4, pdf p. 6; Exhibit B-5, pdf p. 11; Exhibit B-6, pp. 4–6.

<sup>23</sup> Exhibit B-6, p. 3.

in the review of the Abandonment Application, and inclusion of these costs in the interim toll in no way signals BCUC endorsement of the South Taylor Hill Project over other alternatives.

The Panel also considers Plateau's proposed management fee to be reasonable for purposes of the interim toll, as the Western System has been fully depreciated and Tidewater's proposed alternative would preclude Plateau from earning any compensation in return for operating the Western System during the Interim Period. Accordingly, the Panel finds Plateau's proposed 2025 revenue requirement of approximately \$52 million to be reasonable for purposes of calculating the interim toll.

With regards to the recovery of abandonment costs, we note that historically Plateau has not collected abandonment costs through tolls for the Northern Segment of the Western System. The Panel considers it reasonable to maintain the status quo in this respect for the purposes of setting the interim toll, and as such excludes \$3.215 million in requested abandonment costs from the interim toll.

With regards to throughput volumes, the Panel considers Tidewater's estimate of 610,000 m<sup>3</sup> to be the most reasonable estimate for the purposes of calculating the interim toll. Generally, the Panel expects shippers to have the best information regarding their planned operations, and Tidewater's estimate reasonably excludes the volume reductions associated with refinery turnaround years and unplanned pipeline outages. Given 2025 is not a turnaround year and the uncertainty of outages occurring, the Panel finds Tidewater's approach preferable to Plateau's proposal to use a lower estimate of 567,500 m<sup>3</sup> which is the historical average shipment volume. The overall result of the adjustments above is an interim toll of 85.28/m<sup>3</sup>.<sup>24</sup>

Finally, the Panel considers continued reliance on the Rules and Regulations to govern the conditions of service on the Western System during the Interim Period to, generally, be reasonable, and does not consider a further directive requiring Tidewater to comply with the Rules and Regulations as a condition of receiving service to be necessary. The Panel recognizes Plateau's concerns over the financial standing of its sole shipper, and does not view the approximately \$400,000 in costs that Tidewater would bear in providing a letter of credit pursuant to section 27 of the Rules and Regulations to be overly burdensome. Further, while the Rules and Regulations include allowances for Plateau to take certain action at its sole discretion, should Tidewater have any concern during the Interim Period that Plateau is not exercising this discretion reasonably, it may file a complaint with the BCUC.

Nevertheless, given the potentially significant impact on Tidewater's operations of a decision by Plateau to refuse Tidewater deliveries of crude oil outside of the approved specifications, the Panel considers additional BCUC oversight to be warranted in relation to this aspect of the conditions of service. Therefore, **the Panel determines that, during the Interim Period, Plateau may not discontinue its historical practice of waiving defaults by Tidewater respecting deliveries of crude oil outside of the applicable specifications without BCUC approval.**

Finally, the Panel emphasizes that interim tolls are, by their very nature, temporary and, in setting the interim toll, the Panel in no way foreshadows or binds its final decision on the Abandonment Application, the costs that Plateau can ultimately recover (e.g., South Taylor Hill Project costs, management fees, and abandonment costs), the appropriate throughput volume or the permanent toll for the Western System for the Interim Period. The Panel considers Plateau's true-up mechanism to be premature in light of the fact that permanent tolls have yet to be determined. Any differences between the interim toll and permanent toll will be refundable to/recoverable from Tidewater with interest at the average prime rate of Plateau's principal bank for its most recent year.

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<sup>24</sup> The 85.28/m<sup>3</sup> interim toll amount is derived using the revenue requirement amount of \$52,023,000 divided by the throughput volume of 610,000 m<sup>3</sup>.



**DATED** at the City of Vancouver, in the Province of British Columbia, this 20<sup>th</sup> day of December 2024.

*Electronically signed by Tom Loski*

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T. A. Loski  
Panel Chair/Commissioner

*Electronically signed by Elizabeth (Lisa) Brown*

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E. A. Brown  
Commissioner

*Electronically signed by Bernard Magnan*

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B. A. Magnan  
Commissioner