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May 5, 2008

FILED ELECTRONICALLY

Erica M. Hamilton
Commission Secretary
British Columbia Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver, BC V6Z 2N3

Paul R. Jeffrey
Dir: 403-260-9742
paul.jeffrey@blakes.com

Reference: 83819/142

Dear Ms. Hamilton:

**Re: BCUC Project No. 3698481
Plateau Pipe Line Ltd. Application for Approval of Final Tolls for the Western System**

Please find attached, Plateau Pipe Line Ltd.'s third round of Information Responses to the BCUC and second round of Information Responses to Chevron.

Yours truly,

Paul R. Jeffrey
PRJ/mdx

c: G. McCutcheon, Chevron Canada Resources
B. Innis, Chevron Texaco Canada Ltd.
R. Neufeld and B. Roth, Fraser Milner Casgrain LLP
T. Kutryk and V. Chin, Husky Energy Inc.
K. Bergner, Lawson Lundell LLP
J. Wuin, Plateau Pipe Line Ltd.

BRITISH COLUMBIA UTILITIES COMMISSION

IN THE MATTER OF the *Pipeline Act*, R.S.B.C. 1996, c. 364, as amended; and

IN THE MATTER OF an Application by Plateau Pipe Line Ltd. pursuant to Part 7 of the *Pipeline Act* for the approval of final tolls for service on its Western System.

**PLATEAU PIPE LINE LTD. RESPONSES TO
BRITISH COLUMBIA UTILITIES COMMISSION
INFORMATION REQUEST NO. 3**

To: Commission Secretary
British Columbia Utilities Commission
Box 250, 900 Howe Street
Vancouver, B.C. V6Z 2N3

**PLATEAU PIPE LINE LTD. (“PLATEAU”) RESPONSES
TO
BRITISH COLUMBIA UTILITIES COMMISSION
 (“COMMISSION”) INFORMATION REQUEST NO. 3**

Application for the Approval of 2007 and 2008 Western System Tolls

Commission 84.0 Reference: Rate Design / Tolls, Exhibit B-9, Toll Settlement Agreement between Plateau and Husky, Clause 7 (iii) and Clause 7(vii), p. 2

- (iii) All toll revenue recovered by Plateau from Husky for the period under interim tolls, from July 1, 2007 to and including February 29, 2008, shall be retained by Plateau, the BCUC approved interim toll for that period of time applicable to deliveries to Prince George effectively becoming final.

- (vii) The per unit toll to transport crude oil from the inlet of the Western System tankage at Taylor to and through the outlet of the Western System for transfer into the Husky delivery pipeline at Prince George will be:
 - i. \$9.00 per cubic meter for the period March 1, 2008 to February 28, 2009;
 - ii. \$9.36 per cubic meter for the period March 1, 2009 to February 28, 2010;
 - iii. \$9.73 per cubic meter for the period March 1, 2010 to February 28, 2011;
 - iv. \$10.12 per cubic meter for the period March 1, 2011 to February 29, 2012.

84.1 Please provide a recalculated revenue requirement that includes the effect of the proposed settlement agreement for the test year of January 1, 2008 to December 31, 2008 (the “Revised Application”). Please provide a fully functional Excel spreadsheet that shows the recalculated revenue requirement. Provide projections for the remainder of the settlement years that are outside of the test year. Highlight the changes from the settlement agreement compared to the Application.

Response:

The settlement with Husky does not change Plateau’s revenue requirement. A fully functional Excel spreadsheet will be provided to the Commission separately by way of e-mail to the Commission Secretary. A print of that information is attached.

The attached information includes an additional iteration in which the forecast throughput to Prince George is increased from an average of 1600 m³/d to 1800 m³/d. This demonstrates the sensitivity of the Kamloops toll to changes in Prince George throughput. For further comment on this point, please see Plateau’s response to Commission Information Request No. 3, question 88.1.

**PEMBINA PIPELINE CORPORATION
WESTERN SYSTEM
REQUIRED TARIFF AND RETURN ON RATE BASE**

Volume Decline Factor **0.07**

	2008	2009	2010	2011	2012
<u>Volume (m³/day)</u>					
Taylor - Prince George	1,600	1,600	1,600	1,600	1,600
Taylor - Kamloops	2,366	2,088	1,830	1,590	1,367
	<u>3,966</u>	<u>3,688</u>	<u>3,430</u>	<u>3,190</u>	<u>2,967</u>
<u>Required Tariffs (\$/m³)</u>					
Taylor - Prince George	10.50	11.42	11.51	12.39	13.72
Taylor - Kamloops	16.15	17.57	17.70	19.06	21.11
Taylor - Prince George (\$/bbl)	1.67	1.82	1.83	1.97	2.18
Taylor - Kamloops (\$/bbl)	2.57	2.79	2.81	3.03	3.35
Stabilization account	-2,018	0	0	0	0
Revenue Requirement (\$M)	22,102	20,065	18,547	18,295	18,547
Actual Revenue					
Overage oil	-1,000	-1,000	-1,000	-1,000	-1,000
Operating Expense	13,255	11,375	10,382	10,551	10,674
Legal/Regulatory Expense					
Major Expense Amortization	4,072	3,845	3,579	3,198	3,442
Incentive Adjust (unrec. rev.)					
G&A	1,988	1,706	1,557	1,583	1,601
EBITDA	<u>3,786</u>	<u>4,139</u>	<u>4,029</u>	<u>3,964</u>	<u>3,830</u>
Depreciation	1,002	1,279	1,355	1,381	1,395
Income Tax	650	653	585	567	534
Earned Return (debt & equity)	<u>2,134</u>	<u>2,208</u>	<u>2,089</u>	<u>2,016</u>	<u>1,901</u>
Return on Rate Base	8.8%	8.9%	9.0%	8.9%	9.0%
Rate Base	24,113	24,782	23,239	22,539	21,217

Rate Base

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Opening Assets	59,000	62,950	64,045	64,415	64,615
Additions/Disposals	<u>3,950</u>	<u>1,095</u>	<u>370</u>	<u>200</u>	<u>400</u>
Closing Assets	62,950	64,045	64,415	64,615	65,015
Mid-Year Average	60,975	63,498	64,230	64,515	64,815
Open Accum. Depreciation	45,818	46,820	48,099	49,454	50,835
Depreciation Expense	<u>1,002</u>	<u>1,279</u>	<u>1,355</u>	<u>1,381</u>	<u>1,395</u>
Closing Accum. Depreciation	46,820	48,099	49,454	50,835	52,230
Mid-Year Average	46,319	47,459	48,776	50,144	51,532
Average Assets	14,656	16,038	15,454	14,371	13,283
Working Capital (1/8 OpExp)	1,657	1,422	1,298	1,319	1,334
Deferral Accounts	<u>7,800</u>	<u>7,322</u>	<u>6,488</u>	<u>6,849</u>	<u>6,600</u>
Rate Base	<u>24,113</u>	<u>24,782</u>	<u>23,239</u>	<u>22,539</u>	<u>21,217</u>

DEPRECIATION

	2008	2009	2010	2011	2012
Opening Depreciable Assets	1,585	1,456	1,327	1,198	1,069
Depreciation (SL @ 7%/annum from 2007)	129	129	129	129	129
2001 Additions	0	0	0	0	0
2001 Additions: Depreciation	0	0	0	0	0
2002 Additions	2,212	2,032	1,852	1,672	1,492
2002 Additions: Depreciation	180	180	180	180	180
2003 Additions	1,244	1,143	1,042	941	840
2003 Additions: Depreciation	101	101	101	101	101
2004 Additions	419	385	351	317	283
2004 Additions: Depreciation	34	34	34	34	34
2005 Additions	1,139	1,048	957	866	775
2005 Additions: Depreciation	91	91	91	91	91
2006 Additions	5,712	5,247	4,782	4,317	3,852
2006 Additions: Depreciation	465	465	465	465	465
2007 Additions	21	19	17	15	13
2007 Additions: Depreciation	2	2	2	2	2
2008 Additions	3,950	3,674	3,397	3,121	2,844
2008 Additions: Depreciation		277	277	277	277
2009 Additions		1,095	1,018	942	865
2009 Additions: Depreciation			77	77	77
2010 Additions			370	344	318
2010 Additions: Depreciation				26	26
2011 Additions				200	186
2011 Additions: Depreciation					14
2012 Additions					400
2012 Additions: Depreciation					
Remaining Depr. Assets	16,282	16,099	15,113	13,932	12,937
Depreciation Expense	1,002	1,279	1,355	1,381	1,395

OPERATING EXPENSE

	2008	2009	2010	2011	2012
FIXED	8,046	7,772	8,006	8,246	8,493
One time costs	3,813	2,165	895	780	610
VARIABLE (POWER)	1,396	1,438	1,481	1,525	1,571
TOTAL	13,255	11,375	10,382	10,551	10,674

CAPITAL STRUCTURE & RETURNS

	% Struc	2008	2009	2010	2011	2012
Short Term Debt	0.10	0.0575	0.0575	0.0575	0.0575	0.0575
Deferred Income Taxes	incl.	n/a	n/a	n/a	n/a	n/a
Long Term Debt	0.40	0.075	0.075	0.075	0.075	0.075
Common Equity (2.5% above benchmark for low-risk utility)	0.50	0.1120	0.1120	0.1120	0.1120	0.1120
		2008	2009	2010	2011	2012
Short Term Debt		1,047	1,332	1,576	1,343	1,323
Deferred Income Taxes		1,364	1,146	748	911	798
Long Term Debt		9,645	9,913	9,296	9,016	8,487
Common Equity		12,056	12,391	11,620	11,270	10,608
Deemed Capital		24,113	24,782	23,239	22,539	21,217
Short Term Debt		60	77	91	77	76
Deferred Income Taxes		0	0	0	0	0
Long Term Debt		723	743	697	676	636
Common Equity		1,350	1,388	1,301	1,262	1,188
Earned Return		2,134	2,208	2,089	2,016	1,901

INCOME TAX

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Earned Return (Gross)	2,134	2,208	2,089	2,016	1,901
Less: Deemed Debt Interest	784	820	788	753	713
Earned Return (Equity)	<u>1,350</u>	<u>1,388</u>	<u>1,301</u>	<u>1,262</u>	<u>1,188</u>
Add: Maj.Op.Exp. Amort.	4,072	3,845	3,579	3,198	3,442
Deduct: Def. Major Operating Exp.	5,316	1,645	4,110	3,390	2,750
Net Timing Differences	<u>-1,244</u>	<u>2,200</u>	<u>-531</u>	<u>-192</u>	<u>692</u>
After Tax Income	107	3,587	770	1,070	1,880
Gross-Up	0.6750	0.6800	0.6900	0.6900	0.6900
Taxable Income	158	5,276	1,116	1,550	2,725
Tax Rate	<u>0.3250</u>	<u>0.3200</u>	<u>0.3100</u>	<u>0.3100</u>	<u>0.3100</u>
Income Taxes - current	51	1,688	346	481	845
Income Taxes - deferred	599	-1,035	239	86	-311
Total Income Taxes	<u>650</u>	<u>653</u>	<u>585</u>	<u>567</u>	<u>534</u>

DEFERRAL ACCOUNTS

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
RATE BASE: MAJOR OPERATING EXPENSE PROJECTS					
Opening	7,178	8,422	6,222	6,753	6,946
Additions	5,316	1,645	4,110	3,390	2,750
Amortization	4,072	3,845	3,579	3,198	3,442
Closing	8,422	6,222	6,753	6,946	6,253
Mid-Year	7,800	7,322	6,488	6,849	6,600
	2004	2005	2006	2007	
	2,784	5,439	5,296	1,527	
DEFERRED MAJOR OPERATING EXPENSES - Deduction for Income Tax Calculation					
Earned Return	2,134	2,208	2,089	2,016	1,901
Major Opex Amor.	4,072	3,845	3,579	3,198	3,442
Additions	5,316	1,645	4,110	3,390	2,750
Carryforward	0	0	0	0	0
Cfwd Used	0	0	0	0	0
Bal Carryfwd.	0	0	0	0	0
Deduction	5,316	1,645	4,110	3,390	2,750
DEFERRED TAXES PAYABLE					
Opening	1,065	1,664	629	867	954
Add/(Ded)	599	-1,035	239	86	-311
Closing	1,664	629	867	954	643
Mid-Year	1,364	1,146	748	911	798

	PG .65 of K			
	Volume Decline Factor		0.07	
	2008	2009	2010	2011
Volume (m³/day)				
Taylor - Prince George	1,600	1,600	1,600	1,600
Taylor - Kamloops	2,366	2,088	1,830	1,590
	<u>3,966</u>	<u>3,688</u>	<u>3,430</u>	<u>3,190</u>
Required Tariffs (\$/m³)				
Taylor - Prince George	10.50	11.42	11.51	12.39
Taylor - Kamloops	16.15	17.57	17.70	19.06
Stabilization account	-2,018	0	0	0
Revenue Requirement (\$M)	22,102	20,065	18,547	18,295
Overage oil	-1,000	-1,000	-1,000	-1,000
Operating Expense	13,255	11,375	10,382	10,551
Major Expense Amortization	4,072	3,845	3,579	3,198
G&A	1,988	1,706	1,557	1,583
EBITDA	<u>3,786</u>	<u>4,139</u>	<u>4,029</u>	<u>3,964</u>
Depreciation	1,002	1,279	1,355	1,381
Income Tax	<u>650</u>	<u>653</u>	<u>585</u>	<u>567</u>
Earned Return (debt & equity)	<u>2,134</u>	<u>2,208</u>	<u>2,089</u>	<u>2,016</u>
Return on Rate Base	8.8%	8.9%	9.0%	8.9%
Rate Base	24,113	24,782	23,239	22,539

	PG settlement			
	Volume Decline Factor		0.07	
	2008	2009	2010	2011
Volume (m³/day)				
Taylor - Prince George	1,600	1,600	1,600	1,600
Taylor - Kamloops	2,366	2,088	1,830	1,590
	<u>3,966</u>	<u>3,688</u>	<u>3,430</u>	<u>3,190</u>
Required Tariffs (\$/m³)				
Taylor - Prince George	9.00	9.36	9.73	10.12
Taylor - Kamloops	16.15	17.57	17.70	19.06
Stabilization account	-2,018	0	0	0
Revenue Requirement (\$M)	22,102	20,065	18,547	18,295
Revenue Received	19,207	18,861	17,509	16,971
Overage oil	-1,000	-1,000	-1,000	-1,000
Operating Expense	13,255	11,375	10,382	10,551
Major Expense Amortization	4,072	3,845	3,579	3,198
G&A	1,988	1,706	1,557	1,583
EBITDA	<u>2,910</u>	<u>2,935</u>	<u>2,991</u>	<u>2,640</u>
Depreciation	1,002	1,279	1,355	1,381
Income Tax	<u>650</u>	<u>653</u>	<u>585</u>	<u>567</u>
Earned Return (debt & equity)	<u>1,257</u>	<u>1,004</u>	<u>1,051</u>	<u>691</u>
Return on Rate Base	5.2%	4.0%	4.5%	3.1%
Rate Base	24,113	24,782	23,239	22,539

PG settlement

	Volume Decline Factor		0.07	
	2008	2009	2010	2011
Volume (m³/day)				
Taylor - Prince George	1,800	1,800	1,800	1,800
Taylor - Kamloops	2,166	1,888	1,630	1,390
	3,966	3,688	3,430	3,190

Required Tariffs (\$/m³)

Taylor - Prince George	9.00	9.36	9.73	10.12
Taylor - Kamloops	16.49	17.97	18.15	19.58

Stabilization account	-2,018	0	0	0
Revenue Requirement (\$M)	22,102	20,065	18,547	18,295
Revenue Received	18,953	18,539	17,190	16,583
Overage oil	-1,000	-1,000	-1,000	-1,000
Operating Expense	13,255	11,375	10,382	10,551
Major Expense Amortization	4,072	3,845	3,579	3,198
G&A	1,988	1,706	1,557	1,583
EBITDA	2,655	2,613	2,672	2,251
Depreciation	1,002	1,279	1,355	1,381
Income Tax	650	653	585	567
Earned Return (debt & equity)	1,003	681	732	303
Return on Rate Base	4.2%	2.7%	3.2%	1.3%
Rate Base	24,113	24,782	23,239	22,539

Commission 84.0 Reference: Rate Design / Tolls, Exhibit B-9, Toll Settlement Agreement between Plateau and Husky, Clause 7 (iii) and Clause 7(vii), p. 2

- (iii) All toll revenue recovered by Plateau from Husky for the period under interim tolls, from July 1, 2007 to and including February 29, 2008, shall be retained by Plateau, the BCUC approved interim toll for that period of time applicable to deliveries to Prince George effectively becoming final.

- (vii) The per unit toll to transport crude oil from the inlet of the Western System tankage at Taylor to and through the outlet of the Western System for transfer into the Husky delivery pipeline at Prince George will be:
 - i. \$9.00 per cubic meter for the period March 1, 2008 to February 28, 2009;
 - ii. \$9.36 per cubic meter for the period March 1, 2009 to February 28, 2010;
 - iii. \$9.73 per cubic meter for the period March 1, 2010 to February 28, 2011;
 - iv. \$10.12 per cubic meter for the period March 1, 2011 to February 29, 2012.

84.2 Would Plateau be prepared to accept similar adjustments to the Taylor to Kamloops tolls? If not, please explain why not.

Response:

Plateau would be prepared to accept a similar settlement with Kamloops shippers provided they would permit Plateau to retain all interim revenue surpluses, would agree to forego regulatory proceedings over the “settlement period” and would assume the volume risk over a similar time period. Given Kamloops shippers have alternative sources of supply this may necessitate a take or pay arrangement or a Rate Stabilization Account.

Commission 84.0 Reference: Rate Design / Tolls, Exhibit B-9, Toll Settlement Agreement between Plateau and Husky, Clause 7 (iii) and Clause 7(vii), p. 2

- (iii) All toll revenue recovered by Plateau from Husky for the period under interim tolls, from July 1, 2007 to and including February 29, 2008, shall be retained by Plateau, the BCUC approved interim toll for that period of time applicable to deliveries to Prince George effectively becoming final.

- (vii) The per unit toll to transport crude oil from the inlet of the Western System tankage at Taylor to and through the outlet of the Western System for transfer into the Husky delivery pipeline at Prince George will be:
 - i. \$9.00 per cubic meter for the period March 1, 2008 to February 28, 2009;
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 - iii. \$9.73 per cubic meter for the period March 1, 2010 to February 28, 2011;
 - iv. \$10.12 per cubic meter for the period March 1, 2011 to February 29, 2012.

84.3 Please explain the basis for each of the tolls set out in section 7(vii) of the Toll Settlement, particularly the relationship to the currently approved interim toll for Husky and the increases in the proposed Husky toll from year to year during the settlement period.

Response:

The basis for the \$9 toll in 2008 is the \$9.06 toll required for 2007, based on actuals, rounded to even dollars. It has no connection to the current interim toll. The 4% escalation was the result of negotiations between Plateau and Husky. These negotiations took into consideration the forecast 7% per year decline in aggregate supply available to the System, the potential for inclusion in the toll of end of asset life costs in later years of the Toll Settlement, the loss of Plateau's ability to return to the Commission to adjust tolls to Prince George as warranted if the Rate Stabilization Account is not approved, the potential that Husky may ship volumes in excess of 1600 m³/d, as well as Plateau retaining the interim toll surplus, and interest thereon, for the Test Period and first two months of the Test Year (to permit any deficiencies in Plateau's revenue requirement to be received in subsequent tolling years).

Commission 84.0 Reference: Rate Design / Tolls, Exhibit B-9, Toll Settlement Agreement between Plateau and Husky, Clause 7 (iii) and Clause 7(vii), p. 2

- (iii) All toll revenue recovered by Plateau from Husky for the period under interim tolls, from July 1, 2007 to and including February 29, 2008, shall be retained by Plateau, the BCUC approved interim toll for that period of time applicable to deliveries to Prince George effectively becoming final.
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 - iii. \$9.73 per cubic meter for the period March 1, 2010 to February 28, 2011;
 - iv. \$10.12 per cubic meter for the period March 1, 2011 to February 29, 2012.

84.4 Please provide a schedule that compares the proposed Husky tolls in the Toll Settlement to the corresponding currently approved Husky toll and the Husky tolls that Plateau proposed in the Application, and include a comparison of the total forecast revenue that Plateau would receive from Husky under the various toll options in each period when different toll options would apply.

Response:

	<u>2007 (Jul-Dec)</u>	<u>2008</u>	
Volume (m ³ /d)	1710	1600	
<u>Tolls (\$)</u>			
Interim	11.20	11.20	
Application	9.05	10.50	
Settlement	11.20	9 (11.20 Jan-Feb)	
<u>Forecast Revenue from Husky (\$000)</u>			<u>Total</u>
Interim	3,524	6,559	10,083
Application	2,845	6,149	8,994
Settlement	3,524	5,482	9,006

Commission 84.0 Reference: Rate Design / Tolls, Exhibit B-9, Toll Settlement Agreement between Plateau and Husky, Clause 7 (iii) and Clause 7(vii), p. 2

- (iii) All toll revenue recovered by Plateau from Husky for the period under interim tolls, from July 1, 2007 to and including February 29, 2008, shall be retained by Plateau, the BCUC approved interim toll for that period of time applicable to deliveries to Prince George effectively becoming final.

- (vii) The per unit toll to transport crude oil from the inlet of the Western System tankage at Taylor to and through the outlet of the Western System for transfer into the Husky delivery pipeline at Prince George will be:
 - i. \$9.00 per cubic meter for the period March 1, 2008 to February 28, 2009;
 - ii. \$9.36 per cubic meter for the period March 1, 2009 to February 28, 2010;
 - iii. \$9.73 per cubic meter for the period March 1, 2010 to February 28, 2011;
 - iv. \$10.12 per cubic meter for the period March 1, 2011 to February 29, 2012.

- 84.5** Please compare the currently approved interim tolls for deliveries at Prince George and at Kamloops, calculate the ratio of the Kamloops toll to the Prince George toll, and explain the basis for this ratio.

Response:

The current interim toll to Prince George is 65% of the current interim toll to Kamloops. This was the ratio historically in toll settlements for the Western System prior to Pembina's purchase of the Western System. To Plateau's knowledge, this ratio was not originally established by Commission direction. It appears to have been acceptable to all concerned when BC production was plentiful and significant volumes were shipped to Kamloops. The Commission approved and also perpetuated use of this ratio in its Previous Decision.

Commission 84.0 Reference: Rate Design / Tolls, Exhibit B-9, Toll Settlement Agreement between Plateau and Husky, Clause 7 (iii) and Clause 7(vii), p. 2

- (iii) All toll revenue recovered by Plateau from Husky for the period under interim tolls, from July 1, 2007 to and including February 29, 2008, shall be retained by Plateau, the BCUC approved interim toll for that period of time applicable to deliveries to Prince George effectively becoming final.
- (vii) The per unit toll to transport crude oil from the inlet of the Western System tankage at Taylor to and through the outlet of the Western System for transfer into the Husky delivery pipeline at Prince George will be:
 - i. \$9.00 per cubic meter for the period March 1, 2008 to February 28, 2009;
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 - iii. \$9.73 per cubic meter for the period March 1, 2010 to February 28, 2011;
 - iv. \$10.12 per cubic meter for the period March 1, 2011 to February 29, 2012.

84.6 Please use the ratio calculated in response to the previous question and Husky Prince George tolls in section 7(vii) of the Toll Settlement to calculate Settlement-equivalent tolls for deliveries at Kamloops for each of the settlement time periods. If Plateau believes that Settlement-equivalent tolls for deliveries at Kamloops should be calculated using a different methodology, please explain the other methodology and calculate Kamloops tolls using this methodology as well.

Response:

	2008	2009	2010	2011
Prince George	9.00	9.36	9.73	10.12
Kamloops	13.85	14.40	14.97	15.57

The foregoing calculation of the Kamloops toll does not take into account Plateau’s retention of surplus interim revenue nor does it take into account any of the other mutual considerations that were exchanged between Husky and Plateau in arriving at the \$9 toll and subsequent annual escalations thereto. Accordingly, it is not a just and reasonable toll.

Truly “settlement-equivalent” tolls for deliveries to Kamloops would look like the ones already contained in the Plateau Application, not the numbers above, as only under the Application scenario (Commission Methodology with, most importantly, the Rate Stabilization Account and other elements Plateau requested) do deliveries to Kamloops become even roughly comparable on a “risk-to-the-system” basis to the Prince George settlement tolls. The Rate Stabilization Account mechanism enables Plateau to, among other things, adjust for major expense and capital costs as well as for the revenue reductions expected over the remaining years of the Toll Settlement resulting from expected throughput declines to Kamloops. The above strict 65:100

tolls above do not adjust for disparate volume declines to the two delivery points over time and for that reason alone continuing that toll ratio over time would deny Plateau the opportunity to earn a fair return on its capital invested.

Commission 84.0 Reference: Rate Design / Tolls, Exhibit B-9, Toll Settlement Agreement between Plateau and Husky, Clause 7 (iii) and Clause 7(vii), p. 2

- (iii) All toll revenue recovered by Plateau from Husky for the period under interim tolls, from July 1, 2007 to and including February 29, 2008, shall be retained by Plateau, the BCUC approved interim toll for that period of time applicable to deliveries to Prince George effectively becoming final.

- (vii) The per unit toll to transport crude oil from the inlet of the Western System tankage at Taylor to and through the outlet of the Western System for transfer into the Husky delivery pipeline at Prince George will be:
 - i. \$9.00 per cubic meter for the period March 1, 2008 to February 28, 2009;
 - ii. \$9.36 per cubic meter for the period March 1, 2009 to February 28, 2010;
 - iii. \$9.73 per cubic meter for the period March 1, 2010 to February 28, 2011;
 - iv. \$10.12 per cubic meter for the period March 1, 2011 to February 29, 2012.

84.7 Please compare the Kamloops tolls calculated in response to the previous question to the Kamloops tolls that Plateau is applying for in the Revised Application, as set out in Exhibit B-9.

Response:

Kamloops toll per 84.5	13.85
Kamloops toll per B9	16.16

Commission 84.0 Reference: Rate Design / Tolls, Exhibit B-9, Toll Settlement Agreement between Plateau and Husky, Clause 7 (iii) and Clause 7(vii), p. 2

- (iii) All toll revenue recovered by Plateau from Husky for the period under interim tolls, from July 1, 2007 to and including February 29, 2008, shall be retained by Plateau, the BCUC approved interim toll for that period of time applicable to deliveries to Prince George effectively becoming final.
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 - ii. \$9.36 per cubic meter for the period March 1, 2009 to February 28, 2010;
 - iii. \$9.73 per cubic meter for the period March 1, 2010 to February 28, 2011;
 - iv. \$10.12 per cubic meter for the period March 1, 2011 to February 29, 2012.

84.8 What would be the tolls for Taylor to Prince George and Taylor to Kamloops if distance based or postage stamp tolls were established for the test period and the test year?

Response:

Purely distance based tolls (tolls without regard to volume) and postage stamp tolls (tolls without regard to distance) for the Test Period and Test Year are:

	Miles	Test Period 2007 Jul-Dec	Test Year 2008
Revenue requirement		13,687	22,102
Volume M3/d		3,879	3,966
Distance based tolls			
Prince George	232.4	4,318	6,972
Kamloops	504.3	9,369	15,130
	<u>736.7</u>		
Postage stamp tolls			
Prince George		19.18	15.27
Kamloops		19.18	15.27

With respect, now that Husky and Plateau have committed to the Toll Settlement, there should not be consideration of entirely new rate designs in this proceeding, such as either a purely distance based toll or a postage stamp toll on Plateau's Western System. Plateau and Husky entered into the Toll Settlement without any indication, question or hint from the Commission or any party of even the remotest possibility that a postage stamp toll or purely distance based toll

were at all a possibility. To Plateau's knowledge, there has never been a postage stamp toll design on its Western System. The possibility of a postage stamp toll was raised in the Previous Decision, but was rejected by the Commission.

While Plateau does not consider a postage stamp toll or purely distance based toll appropriate, or procedurally fair, if the Commission determines that either alternate rate design is appropriate, the only way to implement one of them that is also just and reasonable to all affected would require the Commission to not approve the negotiated settlement between Plateau and Husky.

Commission 84.0 Reference: Rate Design / Tolls, Exhibit B-9, Toll Settlement Agreement between Plateau and Husky, Clause 7 (iii) and Clause 7(vii), p. 2

- (iii) All toll revenue recovered by Plateau from Husky for the period under interim tolls, from July 1, 2007 to and including February 29, 2008, shall be retained by Plateau, the BCUC approved interim toll for that period of time applicable to deliveries to Prince George effectively becoming final.

- (vii) The per unit toll to transport crude oil from the inlet of the Western System tankage at Taylor to and through the outlet of the Western System for transfer into the Husky delivery pipeline at Prince George will be:
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 - iii. \$9.73 per cubic meter for the period March 1, 2010 to February 28, 2011;
 - iv. \$10.12 per cubic meter for the period March 1, 2011 to February 29, 2012.

84.9 Section 48 of the Pipeline Act states:

“A common carrier must not unjustly discriminate in rates, service or facilities against any person or locality.”

Further to the response to the previous question, please explain why Plateau believes that the Kamloops tolls it now proposes comply with Section 48.

Response:

The tolls proposed by Plateau in its Application comply with s. 48 of the *Pipeline Act*. The Kamloops toll in Plateau’s Application is the only toll for any shipment to Kamloops and is offered to all shippers. Accordingly, the toll to Kamloops is not discriminatory.

Non-discriminatory tolls require that the same toll be offered to all shippers under substantially similar circumstances and conditions with respect to traffic of the same description carried over the same route. These are the requirements set forth in ss. 45 and 48 of the *Pipeline Act*, and are essentially identical to the requirements set forth for pipeline tolls in ss. 62 and 67 of the *National Energy Board Act*. The NEB (“Board”) has repeatedly recognized that different tolls can be charged for: (i) traffic of differing descriptions; (ii) traffic carried over different routes; or, (iii) traffic transported under differing circumstances and conditions. For instance, in RH-4-86 the Board stated that "the Board can set different tolls for traffic of different descriptions; for traffic of similar description but which is carried over different routes; as well as for traffic which flows under substantially different circumstances, all without offending the prohibition against unjust discrimination."

The difference between Prince George and Kamloops tolls is justified. The distances of haul, and therefore capital costs required, vary greatly. The risks of throughput declines vary greatly. The risks of downstream takeaway disruption vary greatly. The availability of alternate supply sources for the markets served varies greatly. The risks of system operational disruption are greater to Kamloops because of the greater length of the system required to reach Kamloops. To not differentiate in the tolls between the two delivery points would be unjust and would not result in tolls that are just and reasonable while postage stamp tolls can be just and reasonable on policy grounds for gathering systems, the Western System is not a gathering system.

Commission 84.0 Reference: Rate Design / Tolls, Exhibit B-9, Toll Settlement Agreement between Plateau and Husky, Clause 7 (iii) and Clause 7(vii), p. 2

- (iii) All toll revenue recovered by Plateau from Husky for the period under interim tolls, from July 1, 2007 to and including February 29, 2008, shall be retained by Plateau, the BCUC approved interim toll for that period of time applicable to deliveries to Prince George effectively becoming final.

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 - iii. \$9.73 per cubic meter for the period March 1, 2010 to February 28, 2011;
 - iv. \$10.12 per cubic meter for the period March 1, 2011 to February 29, 2012.

84.10 Please discuss whether Plateau is prepared to offer non-discriminatory tolls, relative to the Toll Settlement, for deliveries at Kamloops for the period to February 29, 2012. If yes, what are the tolls? If no, please explain why not.

Response:

Yes, Plateau has prepared Test Year tolls for deliveries to Kamloops that, relative to the Toll Settlement, are completely non-discriminatory. Those tolls are reflected in Plateau's Application for final tolls for the Test Year. Beyond the Test Year, those tolls may be held flat or decline depending on actual experience, as a consequence of utilization of the Rate Stabilization Account. Furthermore, the toll settlement is not discriminatory.

The circumstances and conditions around deliveries to each of the two locations are substantially different. The toll reduction to Husky is within a larger package of mutual concessions; a single element of the package should not be taken out of that context and held against one of the parties to the Toll Settlement in very different context.

As discussed in Plateau's response to Commission Information Request No. 3, question 84.9, Plateau does not regard tolls to be discriminatory if, as Plateau has proposed in its revised Application, deliveries to Prince George are based upon the Toll Settlement and deliveries to Kamloops are based on the Application (basically, the Commission Methodology with the Rate Stabilization Account adjustment mechanism to stabilize tolls over time). Furthermore, Plateau's actual experience to date shows, that with the retention of the interim revenue surplus, the Toll Settlement amount for the Test Year is fairly close to an appropriate final toll for the Test Year. Please see Plateau's response to Commission Information Request No. 3, question 84.4.

Commission 84.0 Reference: Rate Design / Tolls, Exhibit B-9, Toll Settlement Agreement between Plateau and Husky, Clause 7 (iii) and Clause 7(vii), p. 2

- (iii) All toll revenue recovered by Plateau from Husky for the period under interim tolls, from July 1, 2007 to and including February 29, 2008, shall be retained by Plateau, the BCUC approved interim toll for that period of time applicable to deliveries to Prince George effectively becoming final.

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 - iii. \$9.73 per cubic meter for the period March 1, 2010 to February 28, 2011;
 - iv. \$10.12 per cubic meter for the period March 1, 2011 to February 29, 2012.

84.11 Please confirm that the Toll Settlement does not require Husky to take any minimum deliveries at Prince George. Does it require Husky to take any deliveries at all?

Response:

Confirmed, the Toll Settlement does not require Husky to take any minimum deliveries at Prince George, or elsewhere.

Plateau became satisfied that it could assume this volume risk for deliveries to Prince George since Husky has invested in the range of \$100 million in expanding its Prince George refinery capacity. Plateau's Application reflects the expectation that the decline in volumes at Taylor will be reflected entirely in a commensurate decline in deliveries to Kamloops; deliveries to Prince George will not be affected. This same forward view of both supply at Taylor and market demand at both Prince George and Kamloops have translated into Plateau's willingness to take the volume risk for deliveries to Prince George, as it has done in entering into the Toll Settlement, but not taking on the volume risk on deliveries to Kamloops. Deliveries to Kamloops are ultimately destined for west coast markets, principally Burnaby. Those markets have alternate sources of supply. Husky's Prince George refinery has no alternate supply sources. Furthermore, Kamloops receipts are also heavily influenced by transportation practices on Kinder Morgan's TransMountain Pipeline System. Its recent transportation practices have resulted in declining receipts from Plateau's Western System.¹

¹ Plateau, along with the producing sector, has taken steps to rectify this situation. Some oral assurances have been given but nothing concrete/in writing is in hand allaying this concern.

Commission 84.0 Reference: Rate Design / Tolls, Exhibit B-9, Toll Settlement Agreement between Plateau and Husky, Clause 7 (iii) and Clause 7(vii), p. 2

- (iii) All toll revenue recovered by Plateau from Husky for the period under interim tolls, from July 1, 2007 to and including February 29, 2008, shall be retained by Plateau, the BCUC approved interim toll for that period of time applicable to deliveries to Prince George effectively becoming final.

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 - iv. \$10.12 per cubic meter for the period March 1, 2011 to February 29, 2012.

84.12 If the Toll Settlement and Revised Application are approved as filed, will Plateau record depreciation at 7 percent per year on all facilities, whether or not it receives sufficient revenue from shippers to cover this amount of depreciation?

Response:

Yes.

**Commission 85.0 Reference: Exhibit B-9, Cover Letter, Toll Settlement
Toll Settlement and Deferral Accounts**

85.1 Section 7(iii) states that all toll revenue recovered by Plateau from Husky under interim tolls from July 1, 2007 to February 29, 2008 will be retained by Plateau. Please clarify whether any of this revenue from Husky will be recorded in the Rate Stabilization Account or another deferral account, and if so provide a calculation of the amount that will be so recorded.

Response:

Any excess toll revenues will not be returned to Husky or impact the Husky toll but the amount will be recorded in the stabilization account as indicated below.

	Jul-Dec 2007	Jan-Feb 2008
Stabilization account		
Volume		
Taylor - Prince George	1,710	1,801
Taylor - Kamloops	2,165	2,052
Revenue collected		
Taylor - Prince George @ \$11.20/M3	3,524	1,210
Taylor - Kamloops @ \$17.23/M3	6,864	2,121
	<u>10,388</u>	<u>3,332</u>
Revenue requirement		
Taylor - Prince George @ \$9.06/m3 (2008 \$10.50)	2,851	1,135
Taylor - Kamloops @ \$13.93/M3 (2008 \$16.50)	5,549	2,031
	<u>8,400</u>	<u>3,166</u>
Stabilization (surplus) deficiency		
Taylor - Prince George	(673)	(76)
Taylor - Kamloops	(1,315)	(90)
	<u>(1,988)</u>	<u>(166)</u>

**Commission 85.0 Reference: Exhibit B-9, Cover Letter, Toll Settlement
Toll Settlement and Deferral Accounts**

85.2 Please provide a complete description of how the Rate Stabilization Account will function, assuming Plateau's Revised Application is approved as requested in Exhibit B-9.

Response:

The proposed Rate Stabilization Account will function in the manner described at pages 30 – 31 of Plateau's Application; however, any adjustments to tolls required by the Rate Stabilization Account will not affect the toll to Prince George and only the Kamloops tolls will be adjusted based on the Kamloops *pro rata* share of the Rate Stabilization Account balance.

**Commission 85.0 Reference: Exhibit B-9, Cover Letter, Toll Settlement
Toll Settlement and Deferral Accounts**

85.3 Please provide a complete description of how the Major Operating Expense Deferral Account will function, assuming Plateau's Revised Application is approved as requested in Exhibit B-9.

Response:

There is no separate deferral account for Major Operating Costs. Rather, they would form part of the Rate Stabilization Account, which would function as described in response to Commission Information Request No. 3, question 85.2. As ordered by the Commission in its Previous Decision, Major Operating Costs would be capitalized and amortized over 5 years. During the term of the Toll Settlement, these costs will be accounted for in accordance with the Previous Decision, as detailed in Plateau's Application, as if the settlement with Husky did not exist. Husky will pay the fixed toll (with Plateau at risk for any difference between that fixed toll and the Application toll) and Kamloops shippers will only pay their share of these costs allocated in accordance with the Commission Methodology.

**Commission 85.0 Reference: Exhibit B-9, Cover Letter, Toll Settlement
Toll Settlement and Deferral Accounts**

85.4 In Exhibit B-9, Plateau states:

“Any shortfall (or gain) between the revenues actually received from Husky and what would be received from Husky under the Commission Methodology is solely to Plateau’s account; shortfalls will not be recoverable from Kamloops shippers.”

Please explain how the Commission can be assured that the Rate Stabilization Account and the Major Operating Expense Deferral Account will function so as to meet this commitment.

Response:

As stated in its Application, Plateau will include a calculation of the Rate Stabilization Account as part of its annual toll filing to the Commission and copied to shippers. In that regard, please see Plateau’s response to Chevron Information Request No. 2, question 16(i).

**Commission 85.0 Reference: Exhibit B-9, Cover Letter, Toll Settlement
Toll Settlement and Deferral Accounts**

85.5 In Exhibit B-9, Plateau requests an Order:

“...directing Plateau to assess End of Life costs and recommend in 2009, for inclusion in tolls commencing in 2010, an amortized portion of such costs...”

Please explain how Plateau proposes that the Commission should allocate the amortization of any such End of Life costs between those that would be the responsibility of Husky (and/or Plateau) and those to the account of other shippers, specifically shippers to Kamloops.

Response:

The Commission should allocate these costs on the same basis as all other costs. Kamloops shippers should pay the costs as detailed in the Application as if the toll settlement with Husky did not exist.

Commission 86.0 Reference: Exhibit B-9, Commitment to Undertake Necessary System Improvements

86.1 Please confirm that in entering into the Toll Settlement and filing the Revised Application, Plateau remains committed to completing the very extensive system inspection and upgrading, and tank cleaning and removal programs set out in the Application. If not, please file a revised description and cost estimate for the inspection, upgrading and tankage expenditure programs that Plateau now proposes.

Response:

Plateau remains committed to the pipeline inspection and repair programs as detailed in the Application. The tank cleaning and removal programs are temporarily on hold pending the outcome of discussions with Kinder Morgan regarding changes it is proposing to the shipping schedule. If the proposed changes occur, Plateau will need more storage at Kamloops than was anticipated when the Application was made. Plateau has included \$3.3 million in 2008 and \$1.3 million in 2009 projected costs.

Commission 86.0 Reference: Exhibit B-9, Commitment to Undertake Necessary System Improvements

86.2 As the Kamloops tolls proposed in the Application reflect the upgrading and tankage expenditure programs proposed in the Application, if these programs have changed please provide a correspondingly revised estimate of Plateau's revenue requirements and of the service tolls that result.

Response:

Please see Plateau's response to Commission Information Request No. 3, question 86.1.

Commission 86.0 Reference: Exhibit B-9, Commitment to Undertake Necessary System Improvements

86.3 If Plateau's actual expenditures on inspection, upgrading and tankage over the period to February 29, 2012 are lower than forecast, is it likely that the expenditures will simply be deferred until after February 29, 2012? If not, please explain.

Response:

No. If the actual costs or an updated forecast are lower or higher than the original forecast, the costs would still be incurred in the expected timeframe unless other circumstances dictate a different timing. In either case, the Rate Stabilization Account will ensure that, over time, shippers pay only actual costs incurred, no more and no less.

Commission 86.0 Reference: Exhibit B-9, Commitment to Undertake Necessary System Improvements

86.4 To the extent that expenditures are deferred, please discuss whether shippers other than Husky will pay for a portion of such expenditures in their tolls up to February 29, 2012, and then pay again after the expenditures are completed.

Response:

No, the Rate Stabilization Account ensures that shippers will only pay once.

Commission 86.0 Reference: Exhibit B-9, Commitment to Undertake Necessary System Improvements

86.5 Please confirm that, assuming the Commission approves the Toll Settlement as filed, the Toll Settlement will take effect notwithstanding the Commission's determinations on the remainder of Plateau's Revised Application.

Response:

Plateau confirms its intentions to continue its arrangement with Husky in regard to the settlement, barring any unforeseen determination by the Commission.

**Commission 87.0 Reference: Rate Design / Tolls, Exhibit B-9,
Toll Settlement Agreement between Plateau and Husky,
Clause 7(v), p.2**

“The tariff rules and regulation for the transportation services offered by the Western System will be the Rules and Regulations Governing the Transportation of Petroleum as published by Pembina, as parent company of Plateau, and in effect for the Western System, a copy which is attached as Schedule “A,” as such rules and regulations may be amended or supplemented by Pembina from time to time, with the only exception being the toll, which is prescribed in clause 7(vii) below.”

87.1 Please provide the current copy of Schedule “A”.

Response:

Please see Schedule “A” on the following page.

PEMBINA PIPELINE CORPORATION

PETROLEUM TARIFF

RULES AND REGULATIONS

**GOVERNING THE
TRANSPORTATION
OF
PETROLEUM**

Effective: October 1, 2007

ISSUED BY:

Pembina Pipeline Corporation

2000, 700 – 9th Avenue S.W.

Calgary, Alberta T2P 3V4

Phone: (403) 231-7500

E-mail: Pipeline-Services@pembina.com

1. APPLICATION OF RULES AND REGULATIONS

Except as otherwise agreed to by Carrier and all Shippers on a Pipeline System, these Rules and Regulations shall apply only to the Toll Schedules making specific reference to these Rules and Regulations and to the respective Pipeline Systems in respect thereof. Whenever any term or condition of any Toll Schedule conflicts or is at variance with any term or condition of these Rules and Regulations, such term or condition in the Toll Schedule shall prevail.

2. DEFINITIONS

The following words and terms, when used in these Rules and Regulations, or in any TA or Toll Schedule into which these Rules and Regulations are incorporated, shall have the following meanings.

"**Affiliate**" of any Person means any other Person who directly or indirectly controls, or is controlled by, or is under common control with, such Person, and for these purposes "**control**", and related terms including "**controlling**" and "**controlled**", shall mean (i) with respect to a corporation or other Person having voting shares or the equivalent and elected directors or individuals performing similar functions, the power to vote, directly or indirectly, shares or the equivalent representing more than 50% of the power to vote in the election of directors or individuals performing similar functions; and (ii) with respect to any other Person (other than an individual), either (A) ownership of more than 50% of the equity or beneficial interest in that Person, or (B) the ability to direct the business and affairs of such Person by acting as a general partner, managing partner, manager or other forms of effective control.

"**API**" means the American Petroleum Institute.

"**ASTM**" means the American Society for Testing and Materials.

"**Business Day**" means a calendar day other than a Saturday, Sunday or statutory holiday in Calgary, Alberta.

"**Butane**" means a hydrocarbon mixture consisting primarily of butane and that satisfies the applicable specifications set forth in the Toll Schedule.

"**Carrier**" means the Person specified as such in the Toll Schedule.

"**Condensate**" means a hydrocarbon mixture consisting primarily of condensate and other hydrocarbon liquids and that satisfies the applicable specifications set forth in the Toll Schedule.

"**Credit Rating**" means, with respect to a Person, on any date of determination, the ratings of its senior, unsecured, unsubordinated long-term debt (not supported by third party credit enhancement) issued by S&P, Moody's or DBRS, or if the Person does not have a rating for its senior, unsecured, unsubordinated long-term debt (not supported by third party credit enhancement), then the ratings assigned to the Person's corporate or issuer rating by S&P, the issuer rating by Moody's or the corporate rating by DBRS.

"**Credit Support Provider**" means an Affiliate of Shipper that has provided to Carrier a guarantee, in a form satisfactory to Carrier in its sole discretion, of all of the obligations of Shipper pursuant to the Tariff.

"**Crude Petroleum**" means the direct liquid product of oil wells or oil processing plants, the indirect liquid products of oil or gas wells or oil sands, or a mixture of such products and that satisfies the applicable specifications set forth in the Toll Schedule, but does not include Ethane Plus, Propane Plus, Butane or Condensate.

"**Cubic Metre**" or "**m³**" means the volume of Petroleum occupying one cubic metre at a temperature of 15°C, and at a pressure of 101.325 kilopascals absolute, for Crude Petroleum and Condensate, and equilibrium vapour pressure for Ethane Plus, Propane Plus and Butane.

"**Day**" means a period of 24 consecutive hours beginning and ending at 7:00 a.m. MT.

"**DBRS**" means Dominion Bond Rating Service Limited, or any successor thereof.

"**Deliver**" means delivered by Carrier to Shipper at the Delivery Point.

"**Delivery Point**" means a location for the delivery of Petroleum by Carrier to Shipper, as specified in the Toll Schedule.

"**Ethane Plus**" means a hydrocarbon mixture consisting of ethane and heavier hydrocarbons and that satisfies the applicable specifications set forth in the Toll Schedule.

"**Force Majeure**" has the meaning set forth in Section 23.2.

"**kilopascal**" is equivalent to 0.1450377 pounds per square inch.

"**LACT Equipment**" means lease automatic custody transfer equipment.

"**Letter of Credit**" means an irrevocable, transferable, standby letter of credit issued by a Schedule "I" *Bank Act* (Canada) bank having a Credit Rating of at least "A-" from S&P, "A3" from Moody's or "A(low)" from DBRS, in a form satisfactory to Carrier in its sole discretion.

"**Low Density Crude Petroleum/Condensate**" means Crude Petroleum or Condensate that falls below the density specifications set forth in the Toll Schedule.

"**Month**" means a period beginning at 7:00 a.m. MT on the first Day of any calendar month and ending at 7:00 a.m. MT on the first Day of the next calendar month.

"**Monthly Inventory Position**" means, with respect to a Month, the sum of (i) the Monthly Inventory Position for the prior Month, and (ii) the difference, if any, between (A) the sum of all Tenders by Shipper for that Month and (B) the sum of all Deliveries to Shipper for that Month.

"**Monthly Nomination Date**" means on or before 7:00 a.m. MT on the dates specified in the Toll Schedule.

"**Moody's**" means Moody's Investors Service, Inc., or any successor thereof.

"**MPMS**" means the API Manual of Petroleum Measurement Standards.

"**MT**" means Mountain Standard Time or Mountain Daylight Time, as applicable.

"**Nomination**" means, collectively, the volume of Petroleum, the Receipt Points, the Delivery Points and the types and anticipated quality of Petroleum specified in a Notice of Shipment in respect of a Month.

"**Non-Performance Charge**" has the meaning set forth in Section 17.

"**Non-Specification Petroleum**" means Petroleum that does not meet the applicable specifications set forth in the Toll Schedule.

"**Notice of Shipment**" means the form (including electronic forms) prescribed by Carrier to be used by Shippers in notifying Carrier of proposed Tenders, as such form may be amended from time to time by Carrier.

"**Outage**" means any circumstance, whether planned or unplanned, in which the Pipeline System is unable to receive, transport and/or deliver all or any portion of the Petroleum tendered by Shippers for transportation on the Pipeline System.

"**Overage Fee**" means the overage fee set forth in the Toll Schedule.

"Payment Date" means, with respect to a Month, the 25th Day of the following Month; provided that, if the Payment Date is not a Business Day, payment shall be due on the Business Day immediately prior to the Payment Date.

"Performance Assurance" has the meaning set forth in Section 27.1.

"Person" means an individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company, limited liability company, unlimited liability company, corporation, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted.

"Petroleum" means one or more of Crude Petroleum, Ethane Plus, Propane Plus, Butane and Condensate, as specified in the Toll Schedule.

"Pipeline System" means the Carrier's pipeline system for the transportation of Petroleum, as specified in the Toll Schedule.

"Propane Plus" means a hydrocarbon mixture consisting primarily of propane and heavier hydrocarbons and that satisfies the applicable specifications as set forth in the Toll Schedule.

"Receipt Point" means a location for the receipt of Petroleum by Carrier from Shipper, as specified in the Toll Schedule.

"Retention Stock" means the volume of Petroleum required by Carrier from time to time for operational and scheduling purposes, and includes working stock, tank bottoms and idle line fill.

"S&P" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., or any successor thereof.

"Shipper" means a Person that Tenders Petroleum for transportation on the Pipeline System pursuant to the Tariff.

"Shortage Fee" means the shortage fee set forth in the Toll Schedule.

"TA" means an agreement pursuant to which Carrier provides transportation service to a Shipper on the Pipeline System.

"TA Shipper" means a Shipper that is a party to a TA.

"Tariff" means these Rules and Regulations, the Toll Schedule and, in the case of a TA Shipper, the TA that such TA Shipper is a party to, all as amended, supplemented, modified or replaced from time to time.

"Tender" means the delivery by Shipper to Carrier at a Receipt Point of a stated quantity and type of Petroleum for transportation from such Receipt Point to a Delivery Point.

"Tolerance Margin" means the volume of Petroleum specified in the Toll Schedule, less the loss allowance set forth in Section 10.7, for a Month.

"Toll Schedule" means a schedule of tolls, fees and other charges in respect of the Pipeline System that specifically references these Rules and Regulations, as published by Carrier from time to time.

"Transferee" has the meaning set forth in Section 14.1.

"Transferor" has the meaning set forth in Section 14.1.

"Weathered" means Crude Petroleum or Condensate which when left in a specified container open to specified atmospheric conditions for a period of at least 24 hours does not experience a change in volume greater than 0.2% or density greater than 2 kg/m³, other than those changes attributable to a change in the temperature of such Crude Petroleum or Condensate, as applicable. For greater certainty, Crude Petroleum or

Condensate experiencing changes greater than 0.2% in volume or 2 kg/m³ with respect to density shall not be considered Weathered and Section 10.3(d) shall apply to such Crude Petroleum or Condensate.

3. COMMODITY

The Tariff applies to the receipt, transportation and delivery of Petroleum by Carrier and no commodity other than Petroleum will be transported under the Tariff. Carrier will not accept other commodities unless specifically approved in advance and in writing by Carrier.

4. RECEIPT AND DELIVERY

- 4.1 Acceptance and Delivery.** Petroleum shall be accepted for transportation on the Pipeline System only when Tendered in accordance with Section 7 at one or more Receipt Points and Nominated for Delivery to Shipper at one or more Delivery Points. Shipper shall accept and remove its Petroleum from the Pipeline System upon Delivery of the Petroleum.
- 4.2 Receipt/Delivery Facilities.** Except where Carrier provides such facilities, Petroleum will be accepted for transportation only when Shipper has provided or made arrangements for the necessary facilities and/or transportation service, satisfactory to Carrier in its sole discretion, at the Receipt Point and Delivery Point for the handling of such Petroleum at the rate of flow or on other conditions at which Carrier is then operating the Pipeline System at such Receipt Point and Delivery Point.

5. SPECIFICATIONS AS TO QUALITY

- 5.1 Specifications of Petroleum.** Shipper shall not Tender to Carrier, and Carrier shall have no obligation to receive and transport, Petroleum that (i) does not satisfy the Petroleum specifications set forth in the Toll Schedule, or (ii) has on the Tendering of such Petroleum physical or chemical characteristics that may render such Petroleum not transportable by Carrier, that may materially affect the quality of other Petroleum transported by Carrier or that may otherwise adversely affect Carrier, the Pipeline System and/or other Shippers, as determined by Carrier in its sole discretion. In the event Shipper Tenders Petroleum that does not satisfy the specifications set forth in the Toll Schedule, Carrier at its sole discretion may cause Shipper to immediately cease further Tenders and Shipper shall immediately advise Carrier of the Tendering of Non-Specification Petroleum.
- 5.2 Change to Specifications.** Notwithstanding any other provision to the contrary expressed or implied in these Rules and Regulations, Carrier shall have the right to change the specifications set forth in the Toll Schedule from time to time in its sole discretion. Carrier shall provide Shipper with notice of such change to the specifications set forth in the Toll Schedule.
- 5.3 Certificate of Specifications.** On the request of Carrier, Shipper shall provide to Carrier a certificate with respect to the specifications of Petroleum to be Tendered by Shipper for transportation on the Pipeline System. Such certificate shall identify the specifications for each type of Petroleum to be Tendered by Shipper. In the event that Shipper fails to provide Carrier with such certificate prior to such Petroleum being Tendered by Shipper, Carrier shall have the right to refuse to accept Shipper's Petroleum for transportation on the Pipeline System.
- 5.4 Quality Determination.** Carrier shall have the right to perform quality and component analysis on any and all of the Petroleum that has been Tendered by Shipper. Carrier's determinations in this regard shall be final and binding on Shipper.
- 5.5 Failure to Conform to Specifications.** If Carrier, in its sole discretion, determines that Shipper's Petroleum does not satisfy the applicable specifications set forth in the Toll Schedule, Carrier shall, at Shipper's sole cost and expense, have the right to remove Shipper's Petroleum (including other Petroleum commingled with such Shipper's Petroleum) from the Pipeline System and return same to Shipper, all in a manner determined by Carrier. For greater certainty, Shipper shall be liable to and shall indemnify Carrier in accordance with Section 21.1 if Shipper's Petroleum does not satisfy the applicable specifications set forth in the Toll Schedule, including the cost of any Petroleum purchased by Carrier and other marketing costs incurred by Carrier in order

to satisfy deliveries to other Shippers or to replace Retention Stock or other line fill where such Shipper's Petroleum was commingled with other Petroleum on the Pipeline System. In the event Shipper does not take delivery of any Petroleum removed from the Pipeline System by Carrier in accordance with this Section 5.5 Carrier shall have the right to sell such Petroleum in accordance with the applicable provisions set forth in Section 9.3. Carrier shall pay from the proceeds of such sale all costs and expenses incurred by Carrier with respect to the removal, storage and sale of such Petroleum and Carrier shall be entitled to retain a reasonable pre-estimate of any losses, damages, costs and expenses whatsoever incurred or reasonably expected to be incurred by Carrier in respect of such Petroleum, as determined by Carrier, in its sole discretion. The remainder of such proceeds, if any, shall be paid by Carrier to Shipper. Carrier may take such further action as it deems appropriate to lessen or mitigate any adverse impact to the Pipeline System with respect to such Non-Specification Petroleum.

6. CHANGES IN TYPE/QUALITY AND SEGREGATION

- 6.1 Delivery of Same Type/Quality.** Carrier shall use commercially reasonable efforts to deliver substantially the same type of Petroleum to Shipper as received by Carrier from Shipper; provided, however, Carrier shall not be obligated to make delivery of identical Petroleum to Shipper as Tendered by Shipper to Carrier.
- 6.2 Responsibility For Quality Delivered.** Shipper's Petroleum received by Carrier for transportation on the Pipeline System shall be subject to changes in density, quality or other characteristics (including, due to side wall contamination and other similar circumstances). Carrier shall not be liable for any variations in density, quality or other characteristics of Shipper's Petroleum or the commingling of Shipper's Petroleum with other Petroleum or consequential or indirect loss, lost profits or other losses, damages, costs or expenses whatsoever in respect thereof. For greater certainty, (i) Carrier shall have no obligation to segregate Shipper's Petroleum from other Petroleum during transportation, (ii) Carrier shall have the right to commingle Shipper's Petroleum with other Petroleum, and (iii) Petroleum delivered to Shipper by Carrier at the Delivery Point shall have the density, quality and other characteristics that results from Shipper's Petroleum having been commingled with other Petroleum.
- 6.3 Buffer Material.** Shipper shall arrange for the supply of and be responsible for all costs and expenses whatsoever in respect of buffer material as required by Carrier, in its sole discretion, for the segregation of Shipper's Petroleum. Buffer material supplied by Shipper must be acceptable to Carrier, in its sole discretion. The buffer material and any Petroleum commingled therewith shall be transported by Carrier in accordance with the Tariff. Carrier shall, in its sole discretion, make cuts between Shipper's Petroleum and other Shippers' Petroleum and Shipper shall take delivery of such buffer material as part of the interface in respect of a batch.

7. NOMINATIONS, TENDERS AND FLOW RATES

- 7.1 Nominations.** On or before the Monthly Nomination Date, Shipper shall provide Carrier with a Nomination for the following Month on the Notice of Shipment that specifies the volume of Petroleum to be transported, the Receipt Points, the Delivery Points, the types of Petroleum, the anticipated quality of Petroleum and any other information required by the Notice of Shipment. If Shipper fails to Nominate any volumes, Shipper's Nomination shall be deemed to be zero for that Month. When Shipper's Nomination has been apportioned pursuant to Section 24, Shipper shall be deemed to have submitted a Nomination for the following Month equal to its original Nomination as reduced by such apportionment. Shipper shall, upon notice from Carrier, provide written third party verification of the availability of its supply of Petroleum and of its capability to remove such Petroleum from the Delivery Points, as may be required by Carrier in support of Shipper's Nomination. Carrier shall have the right to refuse to accept Shipper's Nomination where there is no such verification or such verification is unacceptable to Carrier, in its sole discretion.
- 7.2 Tenders.** Shipper desiring to Tender Petroleum shall make such Tender in accordance with Carrier's established tender process in effect from time to time. If Shipper is unable to remove from the Delivery Point the volume of Petroleum to be Tendered, Carrier may, in its sole discretion, reduce the amount of Petroleum accepted from Shipper for transportation to the amount Shipper has verified it will be able to remove from the Delivery Points.

- 7.3 Truck Tenders.** Each Tender of Petroleum by tank truck by Shipper shall only contain Petroleum originating from a single battery or production facility, and Carrier shall not accept Tenders of Petroleum by tank truck from two or more batteries and/or production facilities.
- 7.4 Minimum Tenders.** Shipper shall not Tender Petroleum in a volume less than the minimum volume specified in the Toll Schedule. In the event that Carrier permits a Tender of Petroleum that is less than the current minimum volume requirement, Shipper shall pay to Carrier a charge in respect of such Tender as set forth in the Toll Schedule.
- 7.5 Late Nominations.** If capacity is available on the Pipeline System and operating conditions permit, Carrier may, at its sole discretion, accept Nominations or revised Nominations after the applicable Monthly Nomination Date.
- 7.6 Shipper Nominations.** In each Month Shipper shall Tender to Carrier a volume of Petroleum equal to its Nomination for that Month. Subject to Sections 12, 17, 16, 23 and 24, Carrier shall have the right to charge Shipper an amount equal to the product of (i) the toll set forth in the Toll Schedule or TA, as applicable, and (ii) a volume equal to the greater of (A) the volume Tendered for the Month and (B) 95% of Shipper's Nomination for such Month.
- 7.7 Uniform Tenders.** Shipper shall use commercially reasonable efforts to Tender Petroleum to Carrier in equal Daily volumes and quality sufficient to fulfil its Nomination for the Month. Such Petroleum shall have a homogenous quality consistent with the certificate of specifications set forth in Section 5.3. Carrier shall have the right to charge a fee (a "**Quality Variation Fee**") if provided for in the applicable Toll Schedule. The Quality Variation Fee shall apply where the quality of the Daily volumes Tendered by Shipper vary by more than the threshold set forth in the Toll Schedule.
- 7.8 Flow Rates and Volumes.** Carrier will take receipt of Petroleum at the Receipt Points and will make delivery of Petroleum at the Delivery Points at the flow rates and volumes compatible with the Pipeline System at that time. Shipper shall Tender Petroleum at the Receipt Points and take delivery of Petroleum at the Delivery Points at the flow rates and volumes compatible with the Pipeline System at that time.
- 7.9 Retention Stock.** Shipper shall supply to Carrier its proportionate share of Retention Stock by types and volumes as determined from time to time by Carrier in its sole discretion, which, for greater certainty, may be zero. Shipper shall take Delivery of its proportionate share of Retention Stock prior to the commencement of the Month following the Month in which Shipper ceases to be a Shipper on the Pipeline System. If Shipper fails to remove its proportionate share of Retention Stock from the Pipeline System or the custody of Carrier in accordance with this Section 7.9, Carrier shall have the right to remove and sell such Retention Stock in accordance with the applicable provisions set forth in Section 9.3. Carrier shall pay from the proceeds of such sale all costs and expenses incurred by Carrier with respect to the storage, removal and sale of such Retention Stock. The remainder of such proceeds, if any, shall be paid by Carrier to Shipper.
- 7.10 Corrosion Inhibitor.** At the request of Carrier, Shipper shall, at its sole cost and expense, provide and inject a corrosion inhibitor compound into Petroleum Tendered for transportation on the Pipeline System. Shipper must receive prior written approval from Carrier for the type and amount of corrosion inhibitor. Shipper shall accept Delivery of Petroleum containing corrosion inhibitors from Carrier at the Delivery Point.

8. APPLICATION OF TOLLS

Petroleum accepted for transportation on the Pipeline System shall be subject to the tolls and other charges in effect on the date of receipt of such Petroleum by Carrier, irrespective of the date of Nomination. The tolls and other charges payable by Shipper shall be allocated as to the volume of Petroleum and types of Petroleum in accordance with the Toll Schedule. The tolls charged to Shipper shall be determined based on Delivered volumes of Petroleum.

9. PAYMENT AND LIEN

- 9.1 Invoice and Payment.** Shipper shall pay all tolls, charges and costs as provided for in the Tariff relating to the receipt, transportation and delivery of Shipper's Petroleum by Carrier. On or before the 20th Day of the Month, Carrier shall invoice Shipper for all tolls, charges and costs provided for in the Tariff or otherwise due to Carrier relating to the receipt, transportation and delivery of Shipper's Petroleum by Carrier for the prior Month, providing supporting documentation acceptable in industry practice to support the amount charged. If the actual volume Delivered is not known by the invoice date, the invoice shall be prepared based on estimates by Carrier acting reasonably. The invoiced volume shall be adjusted to the actual volume on the following Month's invoice. Shipper shall pay the invoiced amount for a Month on or before the Payment Date for that Month. If Shipper in good faith disputes the amount of any such invoice or part thereof, Shipper shall nonetheless pay the full amount of such invoice on or before the Payment Date. If required by Carrier, Shipper shall pay such tolls, charges and costs before (i) delivery of Shipper's Petroleum by Carrier, or (ii) an intra-system transfer of Shipper's Petroleum pursuant to Section 14.1.
- 9.2 Goods and Services Tax.** Shipper shall pay any goods and services tax imposed on Shipper pursuant to the *Excise Tax Act* (Canada), or any similar federal or provincial legislation or other applicable tax, in respect of all charges for services payable by Shipper pursuant to the Tariff.
- 9.3 Failure to Pay.** Should Shipper fail to pay any or all of the amount of any invoice on or before the Payment Date, interest on the unpaid portion of the invoice shall accrue daily at the lesser of (i) the prime rate of interest of The Royal Bank of Canada (as it may vary from time to time) plus 2% and (ii) the maximum lawful interest rate. If such failure to pay continues for 30 Days after the Payment Date, Carrier, in addition to any other remedy it may have under the Tariff, at law or in equity, may (i) suspend receipt and/or delivery of Shipper's Petroleum until such amount (including interest thereon) is paid to Carrier, and (ii) withhold any amounts owing to Shipper under any agreement or other arrangement (whether or not yet due) and setoff against such withheld amounts any amounts owed by Shipper to Carrier under the Tariff. Subject to any setoff effected pursuant to (iii) above, if such amounts remain unpaid 60 Days after notice by Carrier to Shipper of such failure to pay, Carrier shall have the right to enforce its general lien set forth in Section 9.4 and/or security interest set forth in Section 9.5 and to sell any Petroleum Tendered to Carrier by Shipper and in the custody of Carrier in any manner permitted in accordance with applicable law. From the proceeds of such sale Carrier shall pay itself all such unpaid amounts (including interest thereon and reasonable storage charges pending sale and costs and expenses incident to such sale), and the balance remaining, if any, shall be paid to Shipper.
- 9.4 Carrier's General Lien.** In addition to any other remedies available to Carrier at law, in equity or under the Tariff, Carrier shall have a general lien on all of Shipper's Petroleum in its custody from time to time to secure the payment and performance of all obligations of Shipper pursuant to the Tariff, and Carrier may withhold such Petroleum from Delivery until all amounts then due and owing pursuant to the Tariff have been paid in full. The general lien provided herein shall be in addition to any lien or security interest otherwise provided by law, equity or contract.
- 9.5 Security Interest.** In addition to, and not in substitution for, the general lien set forth in Section 9.4 or otherwise provided by law, equity or contract, Carrier shall have a continuing and first priority security interest in, and a secured charge on, all of Shipper's Petroleum in its custody from time to time to secure the payment and performance of all obligations of Shipper pursuant to the Tariff.

10. MEASUREMENT, TESTING AND DEDUCTIONS

- 10.1 Unit of Measurement.** The volumetric measurement unit of Petroleum on the Pipeline System shall be Cubic Metres.
- 10.2 Metering and Testing.** Petroleum received by Carrier for transportation shall be metered or gauged and may be sampled and tested by a representative of Carrier prior to, during or after its receipt. Shipper may have a representative present at the metering and testing.

10.3 Measurement and Correction. Carrier shall:

- (a) correct the metered volume of Petroleum in accordance with the applicable API MPMS standards;
- (b) determine the percentage of sediment and water in Petroleum and deduct the amount of sediment and water from the corrected volume of Petroleum;
- (c) adjust the measured volume of Petroleum for shrinkage in accordance with the applicable API MPMS procedures in effect at that time or as determined by Carrier in its sole discretion; and
- (d) have the right, in its sole discretion, to adjust the volume of Petroleum for losses that result from such Petroleum not being Weathered or accepting a Tender of Petroleum that contains different types of Petroleum that are not homogeneous before Tender. Carrier shall have the right to apply a Weathering factor to improperly Weathered Crude Petroleum or Condensate.

10.4 Measurement Procedures. All measurement procedures are to be conducted in accordance with API and/or ASTM standards and in accordance with all applicable governmental and regulatory requirements. Carrier's determinations in this regard shall be final and binding on Shipper.

10.5 Low Density Crude Petroleum/Condensate. When Carrier accepts Low Density Crude Petroleum/Condensate for commingling with Crude Petroleum or Condensate, as applicable, the volume of Low Density Crude Petroleum/Condensate accepted is subject to adjustment for volumetric shrinkage if, in the sole discretion of Carrier, the volume of such Low Density Crude Petroleum/Condensate affects the total volume of the resulting Low Density Crude Petroleum/Condensate and Crude Petroleum or Condensate, as applicable, mixture. Carrier shall, in its sole discretion, determine the volumetric shrinkage. The net volume resulting from such determination shall be the volume to be delivered by Carrier to Shipper at the Delivery Point.

10.6 Meter Failure. In the event of a meter failure, Carrier shall close off the meter and shall place a standby meter in operation. Where a standby meter is not available, Carrier shall stop the custody transfer process until Carrier installs a replacement meter. Should failure or malfunction of a meter result in material inaccuracies, Carrier and Shipper shall negotiate an adjustment. In the event of a failure to negotiate an acceptable adjustment, Carrier and Shipper shall submit the matter to arbitration in accordance with the *Arbitration Act* (Alberta). All fees, expenses and costs of such arbitration shall be paid equally by Carrier and Shipper.

10.7 Loss Allowance. Carrier shall have the right to implement a loss allowance, deduction or other similar charge with respect to the Petroleum Tendered by Shipper, at a rate specified from time to time in the Toll Schedule.

11. CHANGE IN OPERATING CONDITIONS

Carrier and Shipper shall notify each other from time to time of expected and unexpected changes in the rates of receipt, ability to accept delivery or in quality of Petroleum or other operating conditions that may affect the Pipeline System and the duration of such changes. In the event that Shipper does not provide such notice or such notice is not provided to Carrier in a timely manner, Carrier shall have the right to suspend Tenders by Shipper until Carrier determines, in its sole discretion, there will be no adverse impact to the Pipeline System due to such change.

12. OUTAGES

Without limiting Section 23, Carrier shall have the right to suspend, reduce and/or interrupt the transportation of Petroleum on the Pipeline System in the event of any planned or unplanned Outage. In this regard, Carrier shall:

- (a) provide all Shippers on the Pipeline System with as much notice as reasonably practicable of a planned Outage; and

- (b) advise all Shippers on the Pipeline System as soon as reasonably practicable that an unplanned Outage has occurred.

13. FACILITIES AND ACCESS

13.1 Access to Shipper's Facilities. Carrier and its representatives, upon reasonable notice to Shipper, shall have the right to enter upon Shipper's or its Affiliates' owned or controlled premises where Petroleum is received or delivered by Carrier and shall have access to any and all facilities of the Shipper or its Affiliates for the purpose of making any examination, inspection, measurement or test provided for under the Tariff.

13.2 Shipper's Facilities. All facilities of Shipper or its Affiliates located at a Receipt Point shall comply with the following:

- (a) Shipper shall arrange for or provide and maintain sufficient shipping tank storage for a minimum of 24 hours of average Petroleum Tender (or more as determined by Carrier, in its sole discretion);
- (b) Shipper shall arrange for and maintain lines with a minimum diameter of 219.0 millimeters or larger as stipulated by Carrier, in its sole discretion, from the tank to the tank firewall;
- (c) the tank to tank firewall line shall include full opening valves sized at a minimum size equal to the line size;
- (d) the minimum installation height above the tank floor for tank nozzles shall be 1,000 millimetres;
- (e) Carrier shall have the right to put seals on all Receipt Points, and Shipper shall provide facilities to accommodate such seals on all shipping tanks;
- (f) Shipper shall not use branch connections on the line between the tank storage and the Receipt Points;
- (g) Shipper shall provide Carrier a method of receiving shipment tank level measurements, as stipulated by Carrier, in its sole discretion;
- (h) all stairways and walkways on all tanks must be constructed and maintained by Shipper in accordance with current applicable health and safety standards;
- (i) all shipment tender tanks must include an appropriately sized thief hatch;
- (j) the minimum size for a shipment tank shall be 80 Cubic Metres;
- (k) Carrier shall have the right to install and maintain pipelines, piping manifolds, LACT Equipment, pumping equipment, control equipment and power service facilities upon and across the surface of any premises Shipper or its Affiliate owns or controls;
- (l) Shipper shall use commercially reasonable efforts to ensure that all weather access roads to LACT Equipment or other facilities are maintained. Carrier shall have the right to use such access roads in connection with the operation or maintenance of the Pipeline System;
- (m) Carrier shall have the right to require tank storage temperature sensing probes to shut off pumps if the Petroleum temperature drops below 0°C or is greater than 40°C. The temperature-sensing probe shall be on the same level and within 15 centimetres of the market line outlet and shall extend a minimum of 90 centimetres inside the tank;
- (n) Carrier shall have the right to install a monitor to determine basic sediment and water or other impurities and other meter and sampling devices as part of each Receipt Point;
- (o) Carrier shall have the right to require that Shipper install and maintain recycle line pipe, pump, valves and fittings, including a three-way valve and valve operator, to allow Non-Specification Petroleum to return to Shipper's tank storage;

- (p) Shipper shall use commercially reasonable efforts to obtain maximum Weathering;
- (q) when, in Carrier's sole discretion, Shipper's tanks are unsafe or unsuitable for use because of improper connections or any other unacceptable condition, Carrier may refuse to accept Petroleum from such facilities until the conditions are rectified to Carrier's sole satisfaction; and
- (r) at the request of Carrier, Shipper shall provide equipment, instrument air, heating medium, natural gas, and/or a connection to a continuously burning flare to Carrier. No charge will accrue to Carrier for such services or for the installation or maintenance of the facilities required to supply the same.

13.3 Shipper's Affiliates. Shipper shall use all commercially reasonable efforts to cause its Affiliates to comply with the provisions set forth in Sections 13.1 and 13.2.

13.4 Tank Trucks. Tank trucks used for the delivery of Petroleum to truck receiving terminals at Receipt Points shall be equipped with bottom loading and unloading facilities and pumps to provide delivery of each shipment with a minimum of delay, as determined by Carrier in its sole discretion. Tank trucks shall have adequately maintained facilities for inspecting the tank and the contents before and after unloading of Petroleum at any Receipt Point. Carrier may refuse receipts of Petroleum by tank truck when in the sole discretion of Carrier the danger of fire exists due to spillage or leaks or when the driver disregards good operating practices or Carrier's instructions. All tank truck operators and trucking service providers must adhere to all rules and regulations or instructions relative to tank truck unloading issued by Carrier from time to time.

14. INTRA-SYSTEM TRANSFERS

14.1 Intra-System Transfers. Other than with respect to batches of Petroleum, Carrier shall, upon written request of a Shipper (the "**Transferor**") following the Transferor's Tender and prior to Delivery in respect of such Tender, permit the Transferor to transfer all or any portion of its rights and obligations under the Tariff in respect of such Tender to another Shipper (the "**Transferee**"); provided that (i) the Transferee satisfies the Performance Assurance requirements set forth in Section 27, (ii) the Transferee assumes in writing all obligations and liabilities whatsoever in respect of the Tender or portion thereof, as applicable, under the Tariff from and after the time Carrier approves such transfer, and (iii) the Transferor has Tendered a volume of Petroleum equal to or greater than the volume of Petroleum to be transferred to the Transferee. The Transferee and the Transferor shall confirm in writing to Carrier the transfer volume, transfer timing, Delivery Point, swing instructions (which swing instructions are intended to facilitate the balancing of intra-system transfers) and provide to Carrier any other information or documentation required by Carrier, in its sole discretion. In the event that the Transferor and Transferee do not provide swing instructions, Carrier shall use commercially reasonable efforts to balance the intra-system transfer request with the Transferor's Tendered volumes, and any determinations made by Carrier in this regard shall be final and binding on the Transferor and the Transferee. Carrier shall have no liability whatsoever to the Transferee and the Transferor in respect of an intra-system transfer.

14.2 Fee. Shipper shall pay to Carrier a fee for intra-system transfers, which fee shall be specified in the Toll Schedule.

15. STORAGE

Carrier shall have no obligation to provide storage services to Shipper. At the request of Shipper, Carrier may, in its sole discretion, provide storage services for Shipper's Petroleum prior to Tender or after Delivery of Shipper's Petroleum at the fee and on the terms and conditions as set forth by Carrier from time to time.

16. OVERAGE AND SHORTAGE FEES

Subject to the loss allowance set forth in Section 10.7 and any intra-system transfers pursuant to Section 14.1, Shipper's Monthly Inventory Position shall equal zero for each Month. In the event that Shipper's Monthly Inventory Position is:

- (a) greater than zero, Carrier shall have the right to charge Shipper an amount equal to the product of (i) the Overage Fee multiplied by (ii) the positive difference, if any, between (A) Shipper's Monthly Inventory Position and (B) Shipper's Tolerance Margin; and
- (b) less than zero, Carrier shall have the right to charge Shipper an amount equal to the product of (i) the Shortage Fee multiplied by (ii) the positive difference, if any, between (A) the absolute value of Shipper's Monthly Inventory Position and (B) Shipper's Tolerance Margin.

17. NON-PERFORMANCE

During periods of apportionment, if the volume of Petroleum Tendered by Shipper on any Day is less than Shipper's apportioned volume by more than 5% of the apportioned volume, Shipper shall pay to Carrier a per Cubic Metre charge (the "**Non-Performance Charge**") for each Cubic Metre of the difference between that Shipper's apportioned volume for such Day and the volume Tendered by Shipper on that Day. For greater certainty, the Non-Performance Charge shall not apply to that portion of shortfalls caused by an event of Force Majeure or pursuant to Section 12. The Non-Performance Charge in effect from time to time shall be set forth in the Toll Schedule.

18. EVIDENCE OF RECEIPTS AND DELIVERIES

Carrier shall evidence the receipt and delivery of Petroleum by ticket or other records (including electronic records) showing the volume, type and any other specifications with respect to such Petroleum as specified by Carrier from time to time.

19. FAILURE TO REMOVE PETROLEUM

If Shipper fails to remove its Petroleum (other than Non-Specification Petroleum and Retention Stock, which are specifically addressed in Sections 5.5 and 7.9, respectively) from the Pipeline System or custody of Carrier upon Delivery:

- (a) a demurrage charge, as set forth in the Toll Schedule, shall be payable by Shipper to Carrier with respect to such Petroleum; and
- (b) Carrier shall have the right to immediately remove and sell such Petroleum in accordance with the applicable provisions set forth in Section 9.3. Carrier shall pay from the proceeds of such sale all costs and expenses incurred by Carrier with respect to the storage, removal and sale of such Petroleum. The remainder of such proceeds, if any, shall be paid by Carrier to Shipper.

20. CUSTODY OF PETROLEUM

Petroleum Tendered to Carrier shall be deemed to be in the custody and under the control of Carrier from and after the time it is received by Carrier at a Receipt Point until it is delivered by Carrier at a Delivery Point. In the event that Shipper does not take delivery of its Petroleum at a Delivery Point, Carrier shall not be liable to Shipper for any loss, cost, damage or expense whatsoever (including consequential and indirect loss and lost profits) while such Petroleum is in the custody of Carrier. For greater certainty, Shipper shall be liable to and indemnify Carrier in accordance with Section 21.1 if Shipper does not take delivery of its Petroleum at a Delivery Point.

21. LIABILITY OF SHIPPER

21.1 Liability of Shipper. Shipper shall:

- (a) be liable to Carrier for all losses, costs, damages and expenses whatsoever (including consequential and indirect losses and lost profits) which Carrier may suffer, sustain, pay or incur; and
- (b) indemnify and hold harmless Carrier from and against any and all actions, proceedings, claims, demands, losses, costs, liens, damages and expenses whatsoever (including consequential and indirect losses and

lost profits) which may be brought by a third party against, or suffered, sustained, paid or incurred by, Carrier,

as a result of the breach of the Tariff by Shipper or as a result of the negligence or wilful misconduct of Shipper in connection with, or relating to, or arising out of, Shipper's performance, purported performance or non-performance of the Tariff.

21.2 Taxes. Shipper shall pay or cause to be paid any and all taxes, duties, charges, levies or any other assessments whatsoever made or imposed by any government or regulatory authority having jurisdiction with respect to the Petroleum to be transported by Carrier and shall indemnify and hold harmless Carrier from and against any and all such taxes, duties, charges, levies or assessments so made or imposed.

22. LIABILITY OF CARRIER

22.1 Liability of Carrier. Carrier shall not be liable to Shipper for any loss, cost, damage or expense whatsoever (including consequential and indirect loss and lost profits) while Shipper's Petroleum is in the custody of Carrier, except as caused by the gross negligence or wilful misconduct of Carrier (provided that, in such event Carrier shall not be liable to Shipper for consequential or indirect loss or lost profits).

22.2 Apportionment of Cost. If damage to or loss of Petroleum results while such Petroleum is in the custody of Carrier, then Carrier shall apportion the cost of such damage or loss on a pro rata basis among all Shippers on the Pipeline System. Each Shipper's share of such cost shall be determined by Carrier based on the proportion of the volume of the Shipper's Petroleum in the custody of Carrier in the Pipeline System on the date of such loss to the total volume of Petroleum in the custody of Carrier in the Pipeline System on the date of such loss.

23. FORCE MAJEURE

23.1 No Breach. If Carrier or Shipper fail to perform any of its obligations under the Tariff and such failure occurs as a consequence of Force Majeure, then such failure shall be deemed not to be a breach of such obligations.

23.2 Force Majeure. The term "**Force Majeure**" shall mean any event or circumstance not reasonably within the control of the Person claiming suspension and which by the exercise of due diligence such Person is unable to prevent or overcome, including (i) lightning, storms, earthquakes, landslides, floods, washouts, tsunamis and other acts of God; (ii) fires, explosions, ruptures, breakages of or accidents to the Pipeline System or any other equipment or facilities necessary to operate the Pipeline System whatsoever; (iii) freezing of pipelines or pumps or obstructions of pipelines or appurtenances thereto; (iv) shortages of necessary labour, strikes, lockouts or other industrial disturbances; (v) civil disturbances, sabotage, acts of public enemies, war, blockades, insurrections, vandalism, riots, epidemics or acts of terrorism; (vi) arrests and restraint of governments and people; (vii) the order of any court, government body or regulatory body having jurisdiction with respect to the Petroleum or the Pipeline System; (viii) inability to obtain or curtailment of supplies of electric power, water, fuel or other utilities or services; (ix) inability to obtain or curtailment of supplies of any other materials or equipment; and (x) inability to obtain or revocation or amendment of any permit, licence, certificate or authorization of any governmental or regulatory body having jurisdiction with respect to the Petroleum or the Pipeline System, unless the revocation or amendment of such permit, licence, certificate or authorization was caused by the violation of the terms thereof or consented to by the Person holding the same.

23.3 Exclusions. Notwithstanding Section 23.2, the following shall not be events of Force Majeure:

- (a) insufficiency of Shipper's Petroleum supplies or markets;
- (b) lack of funds or other financial circumstance;
- (c) failure, for any reason, to obtain any Provincial export or other regulatory authorization required for Shipper to be entitled to remove Petroleum from a Province; or
- (d) the curtailment of interruptible or secondary firm transportation unless primary firm transportation is also curtailed.

23.4 Remedy of Force Majeure. A Person that fails to perform any obligation under the Tariff where such failure is caused by an event of Force Majeure shall promptly remedy the cause of the Force Majeure insofar as it is reasonably able to do so; provided that the settlement of any strike, lockout or other industrial disturbance shall be wholly in the discretion of the Person claiming suspension of its obligations hereunder by reason thereof.

23.5 Limitations. Notwithstanding Section 23.1, no event of Force Majeure shall (i) relieve Carrier or Shipper from any obligation pursuant to the Tariff unless it gives written notice with reasonable promptness of such event to the other; or (ii) relieve Carrier or Shipper from any obligation pursuant to the Tariff after the expiration of a reasonable period of time within which, by the use of its due diligence, it could have remedied or overcome the consequences of such event of Force Majeure.

23.6 Payment Obligation. Notwithstanding Section 23.1, no event of Force Majeure shall relieve Shipper from its obligations under the Tariff to make payment to Carrier, unless the event of Force Majeure occurs on the Pipeline System (except with respect to payments for Petroleum transported by Carrier prior to such Force Majeure).

24. APPORTIONMENT

24.1 Pipeline System Apportionment. If more Petroleum (or more than one type of Petroleum) is Nominated for a Month than can be transported on the Pipeline System by Carrier, Carrier shall allocate available capacity on the Pipeline System among such Nominations as follows:

- (a) firstly, among TA Shippers Nominating Petroleum (or one type of Petroleum) based on a pro rata share of the capacity of the Pipeline System, on the basis of the Nominations by such TA Shippers up to a maximum level of such TA Shippers' Nominations; and
- (b) secondly, among non-TA Shippers Nominating Petroleum (or one type of Petroleum) based on a pro rata share of the remaining capacity of the Pipeline System, on the basis of the Nominations by such non-TA Shippers.

24.2 Receipt Point/Delivery Point Apportionment. If more Petroleum (or more than one type of Petroleum) is Nominated for a Month for receipt at a Receipt Point or delivery at a Delivery Point than can be received by Carrier at such Receipt Point or delivered by Carrier at such Delivery Point, Carrier shall allocate available capacity among such Nominations as follows:

- (a) firstly, among TA Shippers Nominating Petroleum (or one type of Petroleum) based on a pro rata share of the capacity of such Receipt Point or Delivery Point, as applicable, on the basis of the Nominations by such TA Shippers up to a maximum level of such TA Shippers' Nominations; and
- (b) secondly, among all non-TA Shippers Nominating Petroleum (or one type of Petroleum) based on a pro rata share of the remaining capacity of such Receipt Point or Delivery Point, as applicable, on the basis of the Nominations by such non-TA Shippers.

24.3 Tenders. If more Petroleum (or more than one type of Petroleum) is Tendered to the Pipeline System than can be transported on the Pipeline System or received at a Receipt Point or delivered at a Delivery Point by Carrier, Carrier shall have the right, in its sole discretion, to apportion or otherwise manage capacity on the Pipeline System or at the Receipt Point or Delivery Point, as applicable, among such Tenders.

25. PETROLEUM INVOLVED IN DISPUTES

25.1 Title/Control. Shipper represents and warrants that it owns or controls and has the right to Tender to Carrier, or have Tendered for its account, the Petroleum that it has Tendered to Carrier.

25.2 Legal Disputes. Carrier shall not be obligated to accept any Tender of Petroleum and Shipper shall not Tender to Carrier Petroleum which is in any way subject to litigation, the ownership of which may be in dispute or which is subject to a lien, security interest or charge of any kind whatsoever, unless Shipper provides to Carrier written notice of such litigation, dispute, lien, security interest or charge at least 30 Days prior to

Tendering such Petroleum to Carrier, and Shipper furnishes Performance Assurance or an indemnity satisfactory to Carrier, in its sole discretion, fully protecting Carrier from and against any and all liability, loss, damage, cost and expense whatsoever (including consequential and indirect loss and lost profits) as a result of such litigation, dispute, lien, security interest or charge.

25.3 Subsequent Legal Disputes. Shipper shall immediately notify Carrier in writing if, at any time while Shipper's Petroleum is in the custody of Carrier, such Petroleum becomes involved in litigation, the ownership of such Petroleum becomes in dispute or such Petroleum becomes subject to a lien, security interest or charge of any kind whatsoever. Shipper shall, upon demand in writing from Carrier, furnish as soon as reasonably practical Performance Assurance or an indemnity satisfactory to Carrier, in its sole discretion, fully protecting Carrier from and against any and all liability, loss, damage, cost and expense whatsoever (including consequential and indirect loss and lost profits) as a result of such litigation, dispute, lien, security interest or charge.

26. TIME FOR FILING CLAIMS AND SUITS

Any claim for loss, damage, delay or otherwise in connection with the receipt, transportation or delivery of Petroleum Tendered under the Tariff by Shipper must be submitted in writing to Carrier within 30 Days after Delivery of the Petroleum, or, in the case of failure to make Delivery, then within 30 Days after the expected time for Delivery has elapsed; and suits arising out of such claims must be instituted against Carrier within 2 years from the date when notice in writing is given by Carrier to such Shipper that Carrier has disallowed the claim or any part or parts thereof specified in such notice. Claims advanced beyond such 2 year period shall be null and void as between Shipper and Carrier. In causing Petroleum to be transported under the Tariff, Shipper agrees to be bound by the provisions of this Section 26 and waive any and all rights which it might otherwise have at law, equity or otherwise to make a claim after the expiration of such period 30 Days or to bring an action after the expiration of such period of 2 years.

27. PERFORMANCE ASSURANCE

27.1 Performance Assurance. If at any time the Credit Rating for Shipper or its Credit Support Provider, as applicable, is below "BBB-" by S&P, "Baa3" by Moody's or "BBB(low)" by DBRS or Carrier otherwise has reasonable grounds for insecurity regarding the payment, performance or enforceability of any obligation of Shipper pursuant to the Tariff, Carrier may request and Shipper shall provide to Carrier the following ("**Performance Assurance**"), whether or not Shipper has previously provided Performance Assurance, there is a Credit Support Provider in respect of Shipper or a breach by Shipper of the Tariff has occurred:

- (a) with respect to a TA Shipper (i) a Letter of Credit in an amount equal to 2 Months of the toll applicable to such TA Shipper based on the volume set forth in the TA (such Letter of Credit to be adjusted every 12 Months to reflect any change in the toll applicable to such TA Shipper for the succeeding 12 Months); or (ii) such other security acceptable to Carrier, in its sole discretion; and
- (b) with respect to a non-TA Shipper (i) a prepayment of the tolls applicable to such volumes Nominated by such Shipper; (ii) a Letter of Credit in an amount equal to 2 Months of the tolls applicable to such volumes Nominated by such non-TA Shipper; or (iii) such other security acceptable to Carrier, in its sole discretion.

Shipper shall renew or cause the renewal of a Letter of Credit provided to Carrier no later than 30 Days prior to the expiry thereof. If the financial institution that issued the Letter of Credit has indicated its intention not to renew the Letter of Credit, Shipper shall provide to Carrier either a substitute Letter of Credit in the amount determined in accordance with this Section 27.1 or such other security acceptable to Carrier, in its sole discretion, in each case 30 Days prior to the expiration of the Letter of Credit.

If Shipper fails to provide Performance Assurance to Carrier within 15 Business Days of Carrier's written request thereof, Carrier may, in addition to any other remedy it may have under the Tariff, at law or in equity, suspend receipt and/or delivery of such Shipper's Petroleum until such Performance Assurance is provided to Carrier; provided that any such suspension shall not relieve such Shipper of its payment obligations pursuant to the Tariff.

27.2 Financial Information. On the request of Carrier, Shipper shall furnish to Carrier, as soon as available, and, in any event, within 90 Days after the end of each fiscal year of Shipper or its Credit Support Provider, as applicable, its annual audited financial statements. In addition, Shipper shall furnish to Carrier, as soon as available, and, in any event, within 45 Days after the end of each of the first three fiscal quarters of each fiscal year of Shipper or its Credit Support Provider, as applicable, its quarterly unaudited financial statements prepared on a basis consistent with the corresponding period for the preceding fiscal year. If Shipper fails to provide the foregoing information within the periods set forth above, Carrier may, in addition to any other remedy it may have under the Tariff, at law or in equity, suspend receipt and/or delivery of Shipper's Petroleum until such information is provided to Carrier; provided that any such suspension shall not relieve such Shipper of its payment obligations pursuant to the Tariff.

28. BANKRUPTCY/INSOLVENCY OF SHIPPER

Receipt and delivery by Carrier of Shipper's Petroleum shall be automatically suspended as of the time immediately preceding the occurrence of one or more of the following events with respect to such Shipper or its Credit Support Provider: (i) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (ii) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (iii) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding up or liquidation; (iv) has a resolution passed for its winding up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (v) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (vi) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets; or (vii) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

29. MISCELLANEOUS

29.1 Provision of Information. Upon the request of Carrier, Shipper shall provide to Carrier a good faith estimate of its Daily, Monthly and annual Petroleum Tenders, together with any other information that Carrier may reasonably require to operate and maintain the Pipeline System. Carrier shall provide to Shipper such information as Shipper may reasonably require for Shipper to monitor transportation of its Petroleum on the Pipeline System.

29.2 No Interest In Pipeline System. Shipper does not acquire any right to, title or interest in the Pipeline System or any part thereof and, except as set forth in a TA, Carrier does not dedicate any portion and/or capacity of the Pipeline System for any Shipper.

29.3 Interpretation. Where a term is defined in these Rules and Regulations, a capitalized derivative of such term shall have a corresponding meaning unless the context otherwise require. In these Rules and Regulations, references to (i) "these Rules and Regulations", "hereof", "hereto" or "hereunder" and similar expressions mean and refer to these Rules and Regulations and not to any particular provision of these Rules and Regulations, and (ii) "including" means "including, without limitation," and "includes" and other derivatives thereof shall have corresponding meanings. The division of these Rules and Regulations into Sections and the provision of headings in these Rules and Regulations are for convenience of reference only and shall not affect the construction of these Rules and Regulations. In these Rules and Regulations, words importing the singular shall include the plural and vice versa and words importing gender shall include the masculine, feminine and neuter genders, all as may be applicable by the context. Any reference in these Rules and Regulations to an agreement shall, unless the context otherwise requires, mean and refer to such agreement as modified, amended, restated, supplemented or replaced by a formal agreement from time to time, and a reference to any statute is a reference to it and to the regulations, bylaws or other subsidiary legislation made pursuant thereto, all as re-enacted, varied, amended, modified, supplemented or replaced from time to time.

29.4 New Shippers. Prior to a Person becoming a Shipper on the Pipeline System and the commencement of transportation service by Carrier in respect of such Person pursuant to the Tariff, such Person must (i) satisfy the Performance Assurance requirements set forth in Section 27.1; (ii) provide to Carrier the financial

information set forth in Section 27.2; and (iii) provide to Carrier a notional new shipper fee, a portion of which may be refunded by Carrier, in each case as set forth in the Toll Schedule. Shippers that do not Tender Petroleum for 6 consecutive Months shall be deemed to have ceased to be a Shipper on the Pipeline System, and must comply with the requirements of this Section 29.4 in order to re-attain Shipper status.

29.5 Waiver. No waiver of any default or right under these Rules and Regulations or in respect thereof by Carrier shall be effective unless given in writing. No waiver by Carrier of any default under these Rules and Regulations shall operate as a waiver of any future or other default, whether of a like or different character.

29.6 Governing Law. These Rules and Regulations and the Toll Schedule shall be governed by, construed and interpreted in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein. Each Shipper accepts the jurisdiction of the courts of the Province of Alberta and all courts of appeal therefrom with respect to matters arising out of, or in connection with, these Rules and Regulations.

30. NOTICES

Publication of these Rules and Regulations or Toll Schedule (including any appendix thereto) on the website www.pembina.com shall be deemed to constitute notice of these Rules and Regulations and the Toll Schedule (including any appendices thereto) to all Shippers and other applicable Persons (including a Shipper's Credit Support Provider). The Rules and Regulations and Toll Schedule (including any appendices thereto) published on the foregoing website and in effect at the time of Tendering Petroleum by Shipper shall govern the receipt, transportation and delivery of such Petroleum. Subject to the foregoing, any notice, designation, statement, invoice or other communication hereunder from Carrier to Shipper or from Shipper to Carrier shall be made in writing and sent by ordinary mail, by personal delivery, by electronic transmission or by facsimile device by such Person to (i) in the case of notices to Carrier, its address or facsimile number set forth in the Toll Schedule, or (ii) in the case of notices to Shipper, to the last address or facsimile number for Shipper provided by Shipper to Carrier. In this regard, Shipper shall, by notice in writing to Carrier, provide its address, facsimile number and other relevant contact information to Carrier prior to Shipper's initial Tender of Petroleum into a Pipeline System and shall provide notice of any charges that are made thereto at anytime thereafter. The deemed receipt date for a mail communication is 3 Business Days following the mailing date. The deemed receipt date for a communication by personal delivery, electronic transmission or facsimile device is the Day on which such notice was sent; provided that if such Day is not a Business Day or such notice was received after 2:00 p.m. MT on such Day, such notice shall be deemed to have been received on the immediately following Business Day.

**Commission 88.0 Reference: Rate Design / Tolls, Exhibit B-9,
Toll Settlement Agreement between Plateau and Husky,
Clause 7(vi), p.2
Toll Settlement Agreement between Plateau for Service
from Taylor, B.C. to Prince George, B.C., May 31, 2002,
Clause 7(iv), p. 2**

“Western System facilities and service provided over the four year period commencing March 1, 2008 will be the same or comparable to the facilities and service provided during the term of the previous Settlement Agreement dated May 31, 2002, with a capacity of up to 1,900 m³/d from Taylor, British Columbia to Prince George, British Columbia.”

The previous Settlement Agreement dated May 31, 2002 states:

“Western System facilities and service provided over the five year period commencing July 1, 2002 will be the same or comparable to the facilities and service provided just prior to the linebreak of July 31, 2000, with a capacity of 7,100 cubic meters per day (m³/d) out of Taylor, as per the BCUC June 2001 Decision, which includes an assumed delivery to Prince George of 1,600 m³/d, leaving an effective capacity of 5,500 m³/d from Taylor to Kamloops...”

88.1 Please explain why the Settlement Agreement dated May 31, 2002 indicates an assumed delivery capacity on the Western System to Prince George of 1,600 m³/d, and that the Toll Settlement indicates a capacity of up to 1,900 m³/d. Please explain the difference.

Response:

Plateau has delivered volumes in excess of 1,600 m³/d at various times since Husky’s refinery expansion, but not consistently. More recently, in 2008, the average delivery volumes to Husky refinery has slightly exceeded 1,900 m³/d with daily rates as high as 2,600 m³/d. Plateau believes this has resulted from market factors, such as the Imperial Oil refinery outage, and will not be sustained. Plateau has persisted with the 1600 m³/d forecast in an effort to keep the Kamloops toll as low as possible through the Test Year. As demonstrated by the response to Commission Information Request No. 3, question 84.1, if Plateau assumed 1800 m³/d to Prince George, the toll to Kamloops would be markedly higher. If this occurs in fact over the course of the Test Year (volumes to Prince George higher than forecast), Plateau will underrecover its revenue requirement as a consequence of assuming 1600 m³/d not 1800 m³/d to Prince George for rate design purposes. The Rate Stabilization Account should adjust for this over time, but for Test Year purposes, the lower Kamloops toll is hoped to incent higher throughput levels. Local gasoline pricing/demand will determine ultimate throughput.

**Commission 89.0 Reference: Rate Design / Tolls, Exhibit B-9,
Toll Settlement Agreement between Plateau and Husky,
Clause 7(viii), p. 2**

“In return for the toll paid by Husky, Plateau agrees to pay for all operating costs and incur reasonable capital upgrades and investments necessary to ensure the pipeline to Prince George is available and operates with safe, reliable and continuous service for the entire term of the Toll Settlement.”

89.1 What are the boundaries (in dollars) for reasonable capital upgrades and investments necessary to ensure the pipeline to Prince George is available and operates with safe, reliable and continuous service for the entire term of the Toll Settlement? Please explain how Plateau arrived at these boundaries.

Response:

The estimated capital is included in the attachment in Plateau’s response to Commission Information Request No. 3, question 84.1. Plateau has not set any boundaries and will take all appropriate steps to ensure the System’s safe, reliable and continuous operation.

Commission 90.0 Reference: Rate Design / Tolls, Exhibit B-9, Toll Settlement Agreement between Plateau and Husky, Clause 7(ix), p. 2

“The above tolls are fixed for the four year term from March 1, 2008 to February 28, 2012 and are not dependent on any minimum monthly or annual throughput volume delivered for transportation on the pipeline.”

90.1 Will there be any effect to the above tolls if during this four-year period the pipeline experiences or undergoes any changes in forecasted capacity from Taylor to Prince George.

Response:

No.

Commission 91.0 Reference: Exhibit B-1, Tab Return on Rate Base, Tab 3, Section V: Business Risks; and Exhibit B-9

The Evidence of Kathleen McShane states on page 11 that “Plateau is a common carrier and has no shipper commitments.”

91.1 Does the agreement between Plateau and Husky constitute a shipper commitment? If not, why not?

Response:

No. The agreement simply specifies tolls for the period. It provides lesser assurance that Plateau will recover its costs and a compensatory return than if the Application had been approved as filed.

**Commission 91.0 Reference: Exhibit B-1, Tab Return on Rate Base, Tab 3, Section
V: Business Risks; and Exhibit B-9**

The Evidence of Kathleen McShane states on page 11 that “Plateau is a common carrier and has no shipper commitments.”

91.2 Does the four year agreement between Plateau and Husky reduce Plateau’s business risk relative to the one and one-half year period for which Plateau has applied for tolls in the Application? If not, why not?

Response:

No. The agreement simply specifies tolls for the period. It provides lesser assurance that Plateau will recover its costs and a compensatory return than if the Application had been approved as filed.

BRITISH COLUMBIA UTILITIES COMMISSION

IN THE MATTER OF the *Pipeline Act*, R.S.B.C. 1996, c. 364, as amended; and

IN THE MATTER OF an Application by Plateau Pipe Line Ltd. pursuant to Part 7 of the *Pipeline Act* for the approval of final tolls for service on its Western System.

**PLATEAU PIPE LINE LTD.
RESPONSES TO CHEVRON
INFORMATION REQUEST NO. 2**

To: Commission Secretary
British Columbia Utilities Commission
Box 250, 900 Howe Street
Vancouver, B.C. V6Z 2N3

Chevron 14.0 Reference:

“Toll Settlement” contained in March 28, 2008 Letter from Blakes to the Commission.

Request:

- (a) Is the toll settlement the sole and complete understanding, written or verbal, between Husky and Plateau for the purposes of setting Husky’s tolls for crude oil transportation service on the Plateau system? If not, please provide all other such understandings whether written or verbal.

Response:

Yes.

Chevron 14.0 Reference:

“Toll Settlement” contained in March 28, 2008 Letter from Blakes to the Commission.

Request:

- (b) Are there any other understandings, written or verbal, between Plateau and Husky that are not public and that deal in any way with revenue to be paid by Husky to Plateau or with any other form of cost recovery by Plateau from Husky? If so, please provide all such understandings whether written or verbal.

Response:

No.

Chevron 14.0 Reference:

“Toll Settlement” contained in March 28, 2008 Letter from Blakes to the Commission.

Request:

- (c) Is Plateau presenting the “Toll Settlement” to the Commission under the Commission’s “Negotiated Settlement Process: Policies, Procedures and Guidelines, January 2001”? If so, please fully explain your response. If not, why not?

Response:

No, as stated in Plateau’s March 28, 2008 letter to the Commission, Plateau is requesting “that the Commission approve this settlement in the context of the existing application.”

Pursuant to Order No. P-4-07, the Commission directed Plateau to engage in negotiations with Husky for the purposes of reaching an agreed upon toll deliveries from Taylor to Prince George. The Commission did not direct negotiations to proceed under its Guidelines for Negotiated Settlement Process. At no point in this lengthy negotiation process that Chevron has participated in since July 2007 did the Commission, Chevron or any other party ever request that Plateau proceed under the Negotiated Settlement Process Guidelines.

The settlement with Husky was the culmination of a lengthy negotiation process which was initiated by Plateau in September 2005 and continued at the direction of the Commission in Order No. P-4-07. Chevron was involved in this lengthy negotiation process and was never excluded from negotiations. At no point did Plateau ever refuse to discuss settlement with Chevron and Plateau remains willing to do so, recognizing the different delivery points and circumstances of each delivery point including the greatly increased volume risk that Plateau faces in respect of Kamloops volumes.

Furthermore, it is Plateau’s understanding that Chevron was not averse to the proposed toll to Kamloops in the Application but that Chevron’s participation in this proceeding has been to guard against the Commission allocating a greater proportion of the revenue requirement to Kamloops shippers or otherwise impairing service to Chevron.

Chevron 14.0 Reference:

“Toll Settlement” contained in March 28, 2008 Letter from Blakes to the Commission.

Request:

- (d) Does the “Toll Settlement” change the applied-for capital structure or cost of capital, including the premium on return on equity? If not, please fully explain why not.

Response:

No. Plateau considered that on balance its risk profile had not declined. By foregoing the opportunity to annually adjust rates to account for supply, market, operations, financing, tax and regulatory developments, Plateau’s risk has in fact increased. In any event, toll calculations for service on Plateau are to continue as if the Toll Settlement did not exist. If the Toll Settlement were for some reason regarded as reducing Plateau’s risk (which as stated is not Plateau’s view) then it would not be appropriate for Kamloops deliveries to benefit from that unless they also contributed any difference between the interim tolls and the Toll Settlement tolls. In other words, the Commission should not pick and choose elements of the Toll Settlement to apply by extrapolation to Kamloops tolls; the circumstances differ greatly and the Toll Settlement is a package deal involving more than just an agreed upon toll.

Chevron 15.0 Reference:

Section 7(ix) of the “Toll Settlement” states that the tolls under the settlement “...are not dependent on any minimum monthly or annual throughput volume delivered for transportation on the pipeline.”

Request:

- (a) Please provide Plateau’s understanding of the inlet capacity of Husky’s Prince George refinery.

Response:

Plateau understands peak sustainable refinery capacity to be approximately 1,900 m³/d but with historical demand closer to 1,600 m³/d.

Chevron 15.0 Reference:

Section 7(ix) of the “Toll Settlement” states that the tolls under the settlement “...are not dependent on any minimum monthly or annual throughput volume delivered for transportation on the pipeline.”

Request:

- (b) Please confirm that Plateau continues to expect that over the four-year settlement term Husky will operate its refinery at Prince George and will require approximately 1,600 m³/d of crude oil delivered by Plateau to that refinery. If not confirmed, please fully explain your response.

Response:

Plateau as part of its Toll Settlement became confident the refinery will require at least 1,600 m³/day over the settlement period.

Chevron 15.0 Reference:

Section 7(ix) of the “Toll Settlement” states that the tolls under the settlement “...are not dependent on any minimum monthly or annual throughput volume delivered for transportation on the pipeline.”

Request:

- (c) If (b) is confirmed, please provide a full explanation of the basis for Plateau’s confirmation.

Response:

Plateau is comfortable with the verbal virtual assurance received from Husky that the refinery will continue to take from 1,600 m³/d to 1,900 m³/d over the settlement period, as evidenced by past precedent, investment in the refinery and by the fact that Plateau represents the lowest cost supply option for the refinery.

Chevron 16.0 Reference:

Blakes letter dated March 28, 2008 accompanying the “Toll Settlement”, second paragraph. The paragraph states, in part, “Any shortfall (or gain) between the revenues actually received from Husky and what would be received from Husky under the Commission Methodology is solely to Plateau’s account; shortfalls will not be recoverable from Kamloops shippers.”

Request:

- (a) For the Test Year, please provide the total revenue forecast to be received from Husky under the “Toll Settlement”, showing separately the revenue from January 1 to February 29 (as described in Section 7(iii) of the “Toll Settlement”) and from March 1 to December 31.

Response:

Revenue from Husky (\$000)	Jan-Feb 2008	Mar-Dec 2008
Volume		
Taylor - Prince George	1,801	1,600
Toll	11.20	9.00
Revenue	1,210	4,392

Chevron 16.0 Reference:

Blakes letter dated March 28, 2008 accompanying the “Toll Settlement”, second paragraph. The paragraph states, in part, “Any shortfall (or gain) between the revenues actually received from Husky and what would be received from Husky under the Commission Methodology is solely to Plateau’s account; shortfalls will not be recoverable from Kamloops shippers.”

Request:

- (b) For the Test Year, please provide the revenue that Plateau would have received from Husky under the originally applied-for toll.

Response:

Please see Plateau’s response to Commission Information Request No. 3, question 84.4.

Chevron 16.0 Reference:

Blakes letter dated March 28, 2008 accompanying the “Toll Settlement”, second paragraph. The paragraph states, in part, “Any shortfall (or gain) between the revenues actually received from Husky and what would be received from Husky under the Commission Methodology is solely to Plateau’s account; shortfalls will not be recoverable from Kamloops shippers.”

Request:

- (c) Please fully describe the circumstances under which there could be revenue gains to Plateau under the “Toll Settlement”, including an illustrative example of the toll revenue and allocated costs of service that would create such gains.

Response:

Plateau does not foresee any circumstance where it could earn higher revenues under the toll settlement with Husky than it would earn pursuant to the Commission Methodology.

Chevron 16.0 Reference:

Blakes letter dated March 28, 2008 accompanying the “Toll Settlement”, second paragraph. The paragraph states, in part, “Any shortfall (or gain) between the revenues actually received from Husky and what would be received from Husky under the Commission Methodology is solely to Plateau’s account; shortfalls will not be recoverable from Kamloops shippers.”

Request:

- (d) Please provide Plateau’s opinion on the probability or likelihood of any gain described in (c).

Response:

Please see Plateau’s response to Chevron Information Request No. 2, question 16(c).

Chevron 16.0 Reference:

Blakes letter dated March 28, 2008 accompanying the “Toll Settlement”, second paragraph. The paragraph states, in part, “Any shortfall (or gain) between the revenues actually received from Husky and what would be received from Husky under the Commission Methodology is solely to Plateau’s account; shortfalls will not be recoverable from Kamloops shippers.”

Request:

- (e) If there is a revenue shortfall under the “Toll Settlement”, why would Plateau agree to take all the burden of that shortfall? Please fully explain your response.

Response:

Plateau regards the toll to Prince George under the toll settlement to be an acceptable discount off the forecast toll for at least the following reasons:

- i. Plateau gets the benefit of the interim revenue surplus;
- ii. Plateau gets the benefit of the time value of the interim revenue surplus;
- iii. Plateau avoids the cost of comprehensive regulatory litigation with Husky in respect of the remainder of this Application and for each of the years over the remainder of the term of the Toll Settlement; and
- iv. Plateau avoids an acrimonious relationship with its primary shipper on the Western System with which it may wish to resume discussions around other Western System opportunities.

Chevron 16.0 Reference:

Blakes letter dated March 28, 2008 accompanying the “Toll Settlement”, second paragraph. The paragraph states, in part, “Any shortfall (or gain) between the revenues actually received from Husky and what would be received from Husky under the Commission Methodology is solely to Plateau’s account; shortfalls will not be recoverable from Kamloops shippers.”

Request:

- (f) During the settlement term, is it the intent of Plateau to establish tolls for other shippers as if the “Toll Settlement” did not exist? Please fully explain your response.

Response:

Yes, tolls for shippers to Kamloops will not be affected by the settlement with Husky as any overage/underage in respect of the Commission Methodology to Prince George will be solely to Plateau’s account.

Chevron 16.0 Reference:

Blakes letter dated March 28, 2008 accompanying the “Toll Settlement”, second paragraph. The paragraph states, in part, “Any shortfall (or gain) between the revenues actually received from Husky and what would be received from Husky under the Commission Methodology is solely to Plateau’s account; shortfalls will not be recoverable from Kamloops shippers.”

Request:

- (g) Please fully describe how any revenue shortfalls or gains arising from the “Toll Settlement” will be separated from revenue and cost variances flowing to the Rate Stabilization Account.

Response:

Please see Plateau’s response to Commission Information Request No. 3, question 85.1.

Shortfalls arising from the settlement will not impact the Rate Stabilization Account.

Chevron 16.0 Reference:

Blakes letter dated March 28, 2008 accompanying the “Toll Settlement”, second paragraph. The paragraph states, in part, “Any shortfall (or gain) between the revenues actually received from Husky and what would be received from Husky under the Commission Methodology is solely to Plateau’s account; shortfalls will not be recoverable from Kamloops shippers.”

Request:

- (h) Please provide an illustrative example for each of a revenue variance and a cost variance to explain and support your response in (g). Specifically show the way in which a variance in revenue and in cost would be handled with regard to the Rate Stabilization Account and the tolls set for the following year.

Response:

In the following table, the revenue in 2008 has been changed by increasing the deemed actual volume by $134\text{m}^3/\text{d}$ to $4,100\text{m}^3/\text{d}$. This has the effect of increasing the actual revenue collected and results in a closing Stabilization surplus of \$579,000 that would be carried forward to 2009. In 2009, actual operating costs have been reduced from the planned operating costs by \$1 million. That reduces the revenue requirement and results in a Stabilization surplus of \$1,164,000 to be carried forward to 2010. As can be seen from the Husky settlement portion of the table, the toll to Kamloops and the Stabilization Account balances are the same without the Husky Settlement.

	Without Husky Settlement				With Husky Settlement				
	2008		2009		2008		2009		
	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	
Volume (m³/day)					Volume (m³/day)				
Taylor - Prince George	1,600	1,700	1,600	1,600	Taylor - Prince George	1,600	1,700	1,600	1,600
Taylor - Kamloops	2,366	2,400	2,200	2,200	Taylor - Kamloops	2,366	2,400	2,200	2,200
	3,966	4,100	3,800	3,800		3,966	4,100	3,800	3,800
Required Tariffs (\$/m³)					Required Tariffs (\$/m³)				
Taylor - Prince George	10.50	10.50	10.71	10.71	Taylor - Prince George	9.00	9.00	9.37	9.37
Taylor - Kamloops	16.16	16.15	16.48	16.48	Taylor - Kamloops	16.16	16.15	16.48	16.48
Actual revenue		20,663		19,486	Actual revenue		19,732		18,704
Stabilization account					Stabilization account				
Opening (surplus) deficit	-2,018	-2,018	-579	-579	Opening (surplus) deficit	-2,018	-2,018	-579	-579
(Increase) decrease		1,439		-585	(Increase) decrease		1,439		-585
Closing (surplus) deficit		-579		-1,164	Closing (surplus) deficit		-579		-1,164
Revenue Requirement (\$M)	22,102	22,102	20,065	18,901	Revenue Requirement (\$M)	22,102	22,102	20,065	18,901
Overage oil	-1,000	-1,000	-1,000	-1,000					
Operating Expense	13,255	13,255	11,375	10,375					
Major Expense Amortization	4,072	4,072	3,845	3,845					
G&A	1,988	1,988	1,706	1,706					
EBITDA	3,786	3,786	4,139	4,139					
Depreciation	1,002	1,002	1,278	1,278					
Income Tax	650	650	653	650					
Earned Return (debt & equity)	2,134	2,134	2,208	2,208					
Return on Rate Base	8.8%	8.8%	8.9%	8.9%					
Rate Base	24,112	24,112	24,781	24,656					

Chevron 16.0 Reference:

Blakes letter dated March 28, 2008 accompanying the “Toll Settlement”, second paragraph. The paragraph states, in part, “Any shortfall (or gain) between the revenues actually received from Husky and what would be received from Husky under the Commission Methodology is solely to Plateau’s account; shortfalls will not be recoverable from Kamloops shippers.”

Request:

- (i) Please fully describe the process that Plateau will follow to demonstrate that each year it has met its obligation ensuring that any shortfalls or gains under the “Toll Settlement” are to Plateau’s account and will not impact other shippers. In making your response, please specifically identify the role of the Commission and of the other shippers in the proposed process.

Response:

The process Plateau envisions occurring annually is as follows. Approximately 30 days prior to the end of each calendar year a financial statement will be provided to shippers and filed with the Commission for approval outlining the estimated volumes, costs, capital projects and Rate Stabilization Account balance for the prior year, the current year and the following year (budget). Any change to the toll will also be proposed at that time.

In accordance with the Commission’s past approach, this toll would be approved by the Commission subject to a complaint by a shipper within 60 days. In the event of a complaint, the toll could be made interim commencing January 1 of the test year, and if so, the Commission would then establish a process for reviewing the proposed test year tolls.

Chevron 17.0 Reference:

- (a) "Toll Settlement" contained in March 28, 2008 Letter from Blakes to the Commission, Section 7(vii).
- (b) BCUC – Plateau – 31.0, where the response shows forecast "Volume Total" (Column 4) decreasing.
- (c) Application, Plateau – Western Pipeline, Revenue Requirements (\$000), page 40.

Request:

- (a) Please confirm that the tolls shown in reference (a) increase by 4.0% each year after the first year.

Response:

Confirmed.

Chevron 17.0 Reference:

- (a) “Toll Settlement” contained in March 28, 2008 Letter from Blakes to the Commission, Section 7(vii).
- (b) BCUC – Plateau – 31.0, where the response shows forecast “Volume Total” (Column 4) decreasing.
- (c) Application, Plateau – Western Pipeline, Revenue Requirements (\$000), page 40.

Request:

- (b) Please confirm that the total volume shown in reference (b) is forecast to decline at a rate in excess of 8% per year from 2008 to 2012. If not confirmed, please state the decline rate.

Response:

The decline rate has been assumed at 7% per year from 2008.

Chevron 17.0 Reference:

- (a) “Toll Settlement” contained in March 28, 2008 Letter from Blakes to the Commission, Section 7(vii).
- (b) BCUC – Plateau – 31.0, where the response shows forecast “Volume Total” (Column 4) decreasing.
- (c) Application, Plateau – Western Pipeline, Revenue Requirements (\$000), page 40.

Request:

- (c) Is the revenue shortfall (or gain) in the first year of the term of the “Toll Settlement” expected to increase (or decrease) in each successive year? If not, please fully explain why not?

Response:

Please see Plateau’s response to Commission Information Request No. 3, question 84.3.

Chevron 17.0 Reference:

- (a) “Toll Settlement” contained in March 28, 2008 Letter from Blakes to the Commission, Section 7(vii).
- (b) BCUC – Plateau – 31.0, where the response shows forecast “Volume Total” (Column 4) decreasing.
- (c) Application, Plateau – Western Pipeline, Revenue Requirements (\$000), page 40.

Request:

- (d) For the calendar years 2008 to 2012, please provide a table showing Plateau’s forecast of revenue requirements, as set out in reference (c), the allocated portion of those requirements to Prince George and Kamloops shippers, respectively, and the revenue from Husky under the “Toll Settlement”.

Response:

Please refer to the Excel spreadsheet attached in Plateau’s response to Commission Information Request No. 3, question 84.1. For simplicity, the information is presented on a calendar year basis.

Chevron 17.0 Reference:

- (a) “Toll Settlement” contained in March 28, 2008 Letter from Blakes to the Commission, Section 7(vii).
- (b) BCUC – Plateau – 31.0, where the response shows forecast “Volume Total” (Column 4) decreasing.
- (c) Application, Plateau – Western Pipeline, Revenue Requirements (\$000), page 40.

Request:

- (e) Please provide the information requested in (d) for each year of the settlement term; that is, March 1 to the next end of February.

Response:

Please see Plateau’s response to Chevron Information Request No. 2, question 17.0(d).

Chevron 18.0 Reference:

- (a) “Toll Settlement” contained in March 28, 2008 Letter from Blakes to the Commission.
- (b) Application, page 7, paragraph 40 states “The toll to Prince George is 65% of the toll to Kamloops...the tolls at these relative levels are just, reasonable and not unduly discriminatory.”

Request:

- (a) Is it Plateau’s position that the tolls agreed to in the “Toll Settlement” are just and reasonable and not unduly discriminatory?

Response:

Yes. Please see Plateau’s responses to Commission Information Request No. 3, questions 84.9 and 84.10.

Chevron 18.0 Reference:

- (a) “Toll Settlement” contained in March 28, 2008 Letter from Blakes to the Commission.
- (b) Application, page 7, paragraph 40 states “The toll to Prince George is 65% of the toll to Kamloops...the tolls at these relative levels are just, reasonable and not unduly discriminatory.”

Request:

- (b) Why are Kamloops shippers not being offered a toll that is comparable such that the toll to Prince George is 65% of the toll to Kamloops?

Response:

Please see Plateau’s responses to Commission No. 3, questions 84.2 and 84.10.