



May 10, 2019

Mr. David Morton
Chair
British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Mr. Morton,

On behalf of the Official Opposition, I hereby apply to participate as an Intervener in the British Columbia Utilities Commission's (BCUC) process to identify factors impacting the price of gasoline in our Province, as directed by the Premier on May 7, 2019.

In the interest of pursuing an objective process, it is our belief that an exploration into the multifaceted causes of British Columbia's high price of gasoline will be well-served by accepting as much information as possible. In his letter to you, the Premier suggested that, "Provincial taxes are not to blame." We would suggest that you do not dismiss any causes. We encourage you to review everything, including provincial taxation and fuel supply as it relates to the proposed Trans Mountain Pipeline expansion.

In an affidavit filed on May 1, 2019, in the Court of Queen's Bench of Alberta, Michael J. Rensing, a Government of British Columbia official, stated that, "approximately 55% of British Columbia's gasoline and 71% of its diesel is imported from Alberta refineries. The majority of these refined fuels are transported to British Columbia through the Trans Mountain Pipeline..." (Affidavit attached)

He went on to state, "Alberta therefore supplies, directly or indirectly, over 80% of the gasoline and diesel used in British Columbia."

He stated further, "all other sources of refined fuels available to British Columbians are more expensive than shipments through the TMPL. Any reduction in supply of refined fuels will increase prices." In light of this information, it is clear that the Terms of Reference should include the issue of fuel supply.

Furthermore, regarding the impact of price gouging on gasoline prices, a briefing note drafted by the Ministry of Energy, Mines and Petroleum Resources last year states that, "there is no sign that there are non-competitive or unfair business practices leading to the higher margins." Accordingly, we believe that consideration should be given to the conclusions already drawn by



LEGISLATIVE ASSEMBLY
of BRITISH COLUMBIA

experts within the Ministry of Energy, Mines and Petroleum Resources.

As the Competition Bureau of Canada, a federal tribunal, regularly investigates the issue of price gouging, this should be a subject that requires little attention of the BCUC.

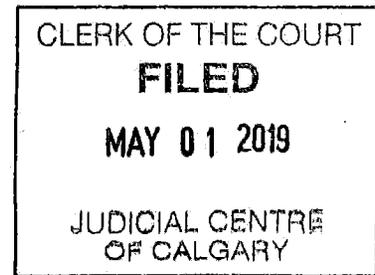
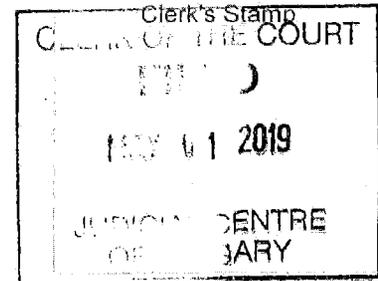
Pursuant to section 33 of the *Administrative Tribunals Act*, I look forward to hearing from you regarding the Official Opposition's request for Intervener status.

Sincerely,

Andrew Wilkinson
Leader of the Official Opposition

Enclosed – May 1, 2019 affidavit

COURT FILE NUMBER 1901-06115
COURT COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
PLAINTIFF ATTORNEY GENERAL OF BRITISH COLUMBIA
DEFENDANT ATTORNEY GENERAL OF ALBERTA
DOCUMENT **AFFIDAVIT**



ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
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AFFIDAVIT OF MICHAEL RENSING

Sworn on April 11, 2019

I, Michael J. Rensing of Victoria, British Columbia, AFFIRM AND SAY THAT:

1. I am the Director of the Low Carbon Fuels Branch in the Electricity and Alternative Energy Division of the British Columbia Ministry of Energy, Mines and Petroleum Resources (the "Ministry"). As such, I have personal knowledge of the facts and matters deposed to in this affidavit, except where stated to be based on information and belief, and where so stated, I believe them to be true.
2. I hold a Bachelor of Science degree from the University of Victoria (1982), a Master of Science degree from the University of Toronto (1984), and a Doctor of Philosophy in Physics from the University of Victoria (1990). In 2003, I began working for the British Columbia Ministry of Environment. In 2007, I joined the Ministry as a Senior Regulatory and Program Analyst for Biofuel. I have worked in my current position with the Ministry since 2008.

3. The Ministry is responsible for British Columbia's oil and gas, electricity, and mining sectors.
4. In my role as a Director, I monitor British Columbia's importation, production, and consumption of crude oil and refined fuels (i.e., gasoline, diesel, and jet fuel).
5. In the course of my duties, I have become very familiar with British Columbia's crude oil and refined fuels infrastructure, and the effects that changes or anticipated changes in supply can have on refined fuel prices.
6. The facts set out below are based upon knowledge and information that I have gained in the course of fulfilling my duties with the Ministry. The statistics are drawn from publicly available information, data and statistics published online by government and industry. In addition, the British Columbia Ministry of Finance directly generates statistics about refined fuel consumption using data related to the Province's Motor Fuel Tax and Carbon Tax.
7. The Province and Ministry plans, develops and implements policies and legislative standards based upon the accuracy of the information provided by these sources.

Alberta's fuel exports to British Columbia

8. Each day British Columbians consume between 70,000 and 85,000 barrels of gasoline, and between 55,000 and 70,000 barrels of diesel.
9. Approximately 55% of British Columbia's gasoline and 71% of its diesel is imported from Alberta refineries. The majority of these refined fuels are transported to British Columbia through the Trans Mountain Pipeline ("TMPL").
10. The TMPL transports crude oil, semi-refined and refined products in the same pipeline through a process known as "batching". The TMPL carries an average of 50,000 barrels per day of refined petroleum products to British Columbia.
11. The TMPL also delivers all of the crude oil that British Columbia's Parkland refinery in Burnaby uses as feedstock to produce refined fuels. The Parkland refinery is

the largest refinery in British Columbia. The Parkland refinery

- (a) has a capacity of 55,000 barrels of crude oil per day,
- (b) accounts for 82% of the refining capacity in the province,
- (c) produces approximately 25% of British Columbia's gasoline and diesel,
- (d) produces approximately 33% of the jet fuel used by Vancouver International Airport,
- (e) can only process light and medium crude oil, and
- (f) cannot operate safely if the crude oil supply falls below 40,000 barrels per day.

12. Alberta therefore supplies, directly or indirectly, over 80% of the gasoline and diesel used in British Columbia.

13. British Columbia's only other refinery - Husky Energy's refinery in Prince George - has a capacity of only 12,000 barrels of crude oil per day, and can only process light crude.

14. The Husky refinery produces refined fuels primarily for local consumption in central and northern regions of the province.

15. Until recently, both of British Columbia's refineries operated at capacity. Parkland is currently operating at about 80% capacity because of an inability to access sufficient crude oil.

Obtaining Refined Oil Products from Alternative Sources

16. British Columbia is not in a position to produce additional refined fuels to replace those currently shipped from Alberta by way of the TMPL. Canadian refineries are generally operating at maximum capacity.

17. The logistical network required to supply refined fuels to consumers in British

Columbia relies upon a complex system of pipelines, ships, railways and trucks. Often several methods of transportation are utilized to move refined fuels from refineries to consumers.

18. There is inadequate infrastructure in place in British Columbia to transport, receive, store and then to distribute large quantities of refined fuels acquired from a market other than Alberta.

19. Existing pipeline networks do not connect to US pipelines for the purposes of supplying British Columbia with refined fuels. Refined fuels from US jurisdictions would have to be transported to British Columbia by marine barge, rail or trucking.

20. Ports in British Columbia are not equipped to receive large scale shipments of refined fuels by ship or marine barge. Shipping alternative supplies of crude oil and refined fuels would result in additional oil tanker and barge traffic in British Columbia's waters. Receiving crude oil or refined fuels by ship or marine barge would also require new supply logistics reaching from the ports into the interior of British Columbia.

21. Rail shipments currently face backlogs due to capacity constraints. Any reallocation of rail capacity for refined fuel shipments would leave other shipments stranded.

22. A single tank truck trailer only holds about 9,000 gallons or 200 barrels, or a little under a third of a rail car. Trucking would require large numbers of trucks to move billions of gallons of refined fuels. Increased trucking of crude oil or refined fuels could lead to greater congestion and higher accident rates.

23. As Director, I regularly monitor the price and supply of refined fuels in British Columbia. I often have direct contact with representatives from refineries when supply issues arise. I have personally observed how rapidly supply and prices can be affected by events that take place both within and outside of British Columbia.

24. Gasoline supplies can be exhausted quickly. For example, in July 2018 anti-pipeline activists staged a protest which disrupted the passage of oil and fuel tankers under the Second Narrows Bridge in Vancouver. Representatives of the Parkland

refinery advised me that the protest was preventing shipments of gasoline to Vancouver Island. They advised me that if the supply of gasoline to Vancouver Island was interrupted for even 48 hours, that could affect the ability of retail gas stations there to remain open. If the volume of refined fuels supplied to British Columbia consumers through the TMPL is significantly reduced, shortages of those products will likely occur.

Impacts of shortages or the use of alternative supplies

25. Crude oil and gasoline prices are determined by market forces which are influenced by a number of variables, such as: availability of supply, international market pricing, exchange rates, the cost of refining crude oil, the cost of transporting gasoline to retail outlets, federal and provincial taxes, as well as political and social instability. In the past, threats of supply reductions have affected prices because retailers and other price-setters anticipate future supply reductions. The threat of a supply shortage can prompt stockpiling behaviour by consumers, which further contributes to price increases and supply shortages.

26. The threat of refined fuel supply shortages can have rapid price impacts. For example, on October 9, 2018, a segment of Enbridge's natural gas pipeline near Prince George, British Columbia exploded, raising the prospect of natural gas shortages. Natural gas is used to supply the Parkland refinery. I was in contact with representatives from the Parkland refinery after the explosion occurred, and they expressed concern about disruption to their supply of natural gas. The supply of natural gas to refineries was not critically disrupted. Nevertheless, the retail price of gasoline spiked in some locations by as much as 10 cents per litre within 48 hours of the explosion.

27. All other sources of refined fuels available to British Columbians are more expensive than shipments through the TMPL. Any reduction in supply of refined fuels will increase prices. When refined fuel prices increase, daily transportation becomes more expensive. The price of goods and services also increases, particularly for remote communities.

28. Some of the impacts of price increases and fuel shortages depend on the specific circumstances of individuals, industries and communities. Rural communities

that are not connected to the province's hydroelectric power grid are reliant upon diesel for heating and electricity.

29. B.C. communities which are not easily accessible by road, and aerial wildfire fighting operations are dependent on adequate supplies of jet fuel. Energy-intensive industries such as forestry, mining, oil and gas exploration, manufacturing, and transportation and logistics are particularly vulnerable to increases in refined fuel prices.

30. A major disruption of refined fuel supplies, coupled with rapid price increases, could lead to stockpiling of those products, particularly as retail outlets close. An abrupt reduction in the availability of refined fuels would necessitate prioritizing the needs of police and other emergency services over those of the general public.

Effects on Alberta

31. A full assessment of the effects on Albertan industry of a disruption of exports of refined fuels or crude oil to British Columbia would require specialized knowledge of those two industries.

32. British Columbia consumes approximately 30% of the gasoline and diesel in Western Canada and the Territories. It is clearly a major customer for Alberta refineries. If exports to British Columbia were disrupted, Albertan refineries would have an over supply and no easy access to alternative markets. Once storage capacity was exhausted, production would have to be curtailed, with corresponding losses of income, jobs and tax revenues.

AFFIRMED BEFORE ME at Victoria, this)
11th day of April, 2019.)



(Commissioner for Oaths In and for the)
Province of British Columbia))

J. GARETH MORLEY)
BARRISTER & SOLICITOR)



(Signature)

MICHAEL J. RENSING



May 28, 2019

Sent via email

Mr. Andrew Wilkinson, QC
Leader of the Official Opposition
British Columbia Liberal Party
Parliament Buildings
Victoria, BC V8V 1X4
andrew.wilkinson.MLA@leg.bc.ca

Re: British Columbia Utilities Commission – An Inquiry into Gasoline and Diesel Prices in British Columbia – Project No. 1599007 – Request to Intervene

Dear Mr. Wilkinson:

Thank you for your letter dated May 10, 2019 requesting intervener status for the inquiry into gasoline and diesel prices in British Columbia. The British Columbia Utilities Commission (BCUC) has now established a regulatory timetable and process for this inquiry, more information is available on the “Current Proceedings” page of bcuc.com or at the following [link](#).

In accordance with the British Columbia Utilities Commission’s [Rules of Practice and Procedure](#), if you would like to register as an intervener please complete a [Request to Intervene Form](#). Online registration enables interveners to submit evidence and other documents such as information requests, and receive automated electronic notification when new files are posted to the proceeding’s public evidentiary record. Please note, however that due to the nature and timeline of the Inquiry, the BCUC will limit intervener status to parties who are actively involved in the gasoline and diesel industry such as refiners, transportation and storage companies, wholesalers, distributors, marketers, retailers, government and regulators.

If you decide not to register as an intervener, your letter will be added as a letter of comment to the evidentiary record.

Sincerely,

Original signed by:

David Morton
Chair and Chief Executive Officer

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