



July 26, 2019

Sent via eFile

<b>BCUC INQUIRY INTO GASOLINE AND DIESEL PRICES IN BC EXHIBIT A-17</b>
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Dorothy Golosinski  
Director, Regulatory  
Trans Mountain  
Dorothy\_golosinski@transmountain.com

**Re: British Columbia Utilities Commission – An Inquiry into Gasoline and Diesel Prices in British Columbia – Project No. 1599007 – Panel Questions and Oral Workshop – Trans Mountain**

Dear Ms. Golosinski,

By Order G-112-19 dated May 24, 2019, the British Columbia Utilities Commission (BCUC) established an inquiry into gasoline and diesel prices in British Columbia (Inquiry). The regulatory timetable and terms of reference of the Inquiry can be found on the [proceeding webpage](#) on the BCUC website.

As per the regulatory timetable, the BCUC held an Oral Workshop on July 17, 18 and 19, 2019. By Order G-161-19, the BCUC amended the regulatory timetable to continue the Oral Workshop to allow further Panel questions to interveners, scheduled on **July 30 and 31, commencing at 8 a.m. each day and August 1, 2019, commencing at 1 p.m.** These workshops will take place at Allwest Reporting, 12<sup>th</sup> Floor, 1125 Howe Street, Vancouver, BC. All oral submissions will be transcribed and added to the public record.

The BCUC invites Trans Mountain's participation at the upcoming workshops scheduled for July 30, 31 and August 1, 2019. Please indicate which date is suitable for Trans Mountain's attendance.

By letter dated July 25, 2019 (Exhibit [A-15](#)), in Appendix B, the Panel provided further questions to interveners. The BCUC recognises Trans Mountain is regulated by the National Energy Board (NEB) and are governed by the rules and regulations and fees provided in a Tariff approved by the NEB in accordance with the *National Energy Board Act*. However, given the crucial role Trans Mountain plays in the transportation of crude oil and refined products into BC, the Panel considers that Trans Mountain may provide information that would help supplement the Inquiry's evidentiary record. Accordingly, the Panel requests that Trans Mountain provide responses to the Panel questions attached as Appendix A to this letter.

If in-person or videoconference participation at the Oral Workshop is not possible, the Panel requests that Trans Mountain file written responses to the Panel questions by no later than **Thursday, August 1, 2019**.

Sincerely,

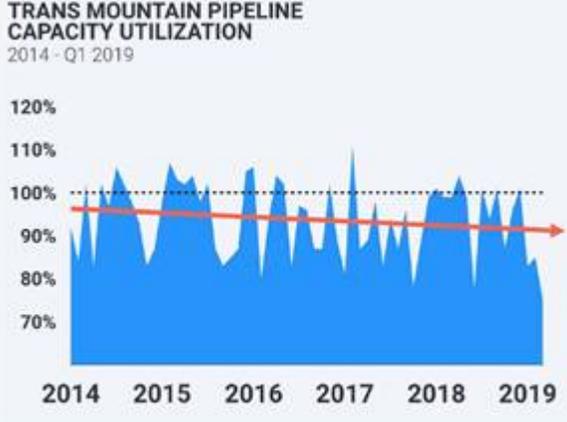
*Original signed by:*

Patrick Wruck  
Commission Secretary  
AS/pw

#	Issue	Questions to Trans Mountain
1	<p><b>Trans Mountain Pipeline – product destination<sup>1</sup></b></p> <p>Allan and Eliesen state: "We have understood for some time that the verification process the NEB approved in 2015 institutionalized barriers to access to Trans Mountain at posted toll rates for refined product and light crude delivered to the Parkland refinery. Essentially, the verification process combined with the priority designation to the dock has resulted in greater access to capacity for Washington State refineries and long-term take or pay dock shippers than companies who rely on Trans Mountain to serve the BC market." (Exhibit C1-4, Allan and Eliesen, p. 3)</p> <p>In its submission, Parkland states: "The Burnaby Refinery also has direct access to truck, rail, and marine terminals from which it can import or export crude and finished products, although there is very limited capacity to bring in crude via marine or rail, so the Trans Mountain Pipeline is the only viable mechanism to access crude at the scale required by the Burnaby Refinery." (Exhibit C5-2, Parkland, p. 15)</p> <p>In discussing the line space for refined products on the TMPL, Suncor states the following: MR. WALLIN: The land/water [crude] differential and the light/heavy differential in Alberta, which when compared to some of the pricing data in Deetken submission shows that it is not a pricing environment where finished product shippers can typically economically compete. The resulting behaviour is that this Firm 50 and dock allocations are</p>	<ol style="list-style-type: none"> <li>1. Some interveners assert that there is underutilised capacity on the Trans Mountain Pipeline (TMPL). Does Trans Mountain think there is an opportunity to increase capacity on the existing line of the TMPL under the current tariff?</li> <li>2. Could changes be made to the tariff to support the shipment of refined product?</li> <li>3. Please explain in detail the allocation procedure and how Trans Mountain determines the operational capacity for a given month.</li> <li>4. Is the capacity on Trans Mountain revised when shippers of heavy oil resell their contracted service in the aftermarket to shippers of light oil or refined petroleum products?</li> <li>5. How much additional supply will be available to serve the BC market once the new pipeline is completed?</li> <li>6. Are the statements made by A&amp;E correct on p. 3 of Exhibit C1-4-1? Please comment</li> </ol>

<sup>1</sup> <https://www.transmountain.com/product-destination>

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	<p>being purchased by [crude] shippers that will lead to (1) them increasing their percentage of the land line space; and (2) decreasing the allocation of all the unsuccessful bidders. In turn, Suncor needs to increase the transportation of finished products in suboptimal ways via rail and truck. (Transcript, vol 2, pp. 306-307)</p> <p>Allan and Eliesen state “analysis... reveals that the capacity on Trans Mountain is 400,000 barrels a day, falling to 300,000 barrels a day only if 20 percent of the capacity is taken up by heavy oil. Trans Mountain rarely ships 20 percent heavy crude and therefore capacity is generally greater than 300,000 barrels a day.” (Exhibit C1-2, Allan and Eliesen, pp. 6, 14-15)</p> <p>Allen and Eliesen state that “capacity on Trans Mountain is a function of the proportion of heavy oil shipped and when no heavy oil is shipped capacity is 400,000 barrels a day.” (Exhibit C1-4-1, p. 3)</p> <p>Allen and Eliesen state “since there is relatively little demand for heavy oil to be shipped along Trans Mountain, and the proportion of heavy oil shipped rarely reaches 20 percent, it seemed that focussing a discussion on Trans Mountain’s capacity on 300,000 barrels a day was misleading....” (Exhibit C1-4-1, p. 3)</p>	
2	<p>Allen &amp; Eliesen state that “capacity on Trans Mountain is a function of the proportion of heavy oil shipped and when no heavy oil is shipped capacity is 400,000 barrels a day.” (Exhibit C1-4-1, p. 3)</p>	<ol style="list-style-type: none"> <li>1. Is this statement correct?</li> <li>2. Is the capacity of the TMPL 400,000 barrels a day? <ol style="list-style-type: none"> <li>a. If so, what percentage of heavy crude can be shipped if throughput is 400,000 barrels a day?</li> </ol> </li> <li>3. Does capacity also vary based on the ratio of light crude to refined gas or diesel? How does this relationship work?</li> </ol>

#	Issue	Questions to Trans Mountain
3	<p>Allen &amp; Eliesen state “since there is relatively little demand for heavy oil to be shipped along Trans Mountain, and the proportion of heavy oil shipped rarely reaches 20 percent, it seemed that focussing a discussion on Trans Mountain’s capacity on 300,000 barrels a day was misleading. The more appropriate focus is on the capacity as a function of the heavy oil shipped.”</p> <p>Further Allen &amp; Eliesen submit the following graph and analysis based on the above assumption that the Trans Mountain capacity is a function of heavy oil shipped:</p>  <p>Source Trans Mountain ITS 2010 and Pipeline Profiles</p> <p>“The analysis reveals that the relationship between potential capacity and utilized capacity is deteriorating.” (Exhibit C1-4-1, pp. 3-4)</p> <p>Allan &amp; Eliesen also state that, based on the heavy crude percent, “as much as 97,000 barrels a day of capacity on Trans Mountain was available according to Trans Mountain documents filed with the NEB.” (Exhibit C1-2, p. 15)</p>	<ol style="list-style-type: none"> <li>1. Please comment on the veracity of this statement and analysis.</li> </ol>