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February 1, 2021

Attention: Marija Tresoglavic  
Acting Commission Secretary

British Columbia Utilities Commission  
Suite 410, 900 Howe Street  
Vancouver, BC Canada V6Z 2N3

83819/490

Dear Ms. Tresoglavic:

**Pembina Kinder Morgan Canada (Jet Fuel) Inc. ("PKMJF") Tariff Filing Proceeding regarding Application for Tariff No. 40 for 2019-2021 Tolls for Services on the Jet Fuel Line British Columbia Utilities Commission Project No. 1598984 ("Proceeding") PKMJF Submission of Public Version of Confidential Information Request Round 1 to Parkland Refining (B.C.) Ltd. ("Parkland")**

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We act on behalf of PKMJF with respect to the above noted British Columbia Utilities Commission Proceeding. Further to our letter of January 25, 2021, we enclose herewith a redacted version of our Information Request Round 1 to Parkland. In the attached version, PKMJF has redacted references to confidential materials and information submitted in these proceedings.

Should you require any further information please contact Ms. Oleniuk or the undersigned.

Sincerely,

<Submitted electronically>

David Tupper

Enclosures

31504234.1

REQUESTOR NAME: **Pembina Kinder Morgan (Jet Fuel) Inc. (PKMJF)**

INFORMATION REQUEST ROUND NO: **1**

TO: **Parkland Refining (B.C.) Ltd. (Parkland)**

DATE: **January 25, 2021**

PROJECT NO: **1598984**

APPLICATION NAME: **Kinder Morgan Canada (Jet Fuel) Inc. 2019 Tariff Filing Application**

**PKMJF Information Request No. 1 to Parkland Refining (B.C.) Ltd. (Parkland)**

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**1.0 Forecasted Volumes and Alternative Transportation Options**

**Reference (i): Exhibit C1-19 (Parkland Public Evidence), PDF p. 3**

On PDF p. 3 of the Parkland Public Evidence, in response to Q7, Parkland states:

In normal circumstances, excluding the economic impacts of the ongoing COVID-19 pandemic, the Burnaby Refinery produces between 5,000 and 8,000 barrels of jet fuel per day, depending on market dynamics for all refined products at a given time.

PKMJF seeks additional information regarding Parkland's forecasted volumes of jet fuel to be transported to YVR.

- 1.1 What are Parkland's current and anticipated future monthly forecast volumes of jet fuel, including monthly and annual volumes and term of contracts, to be shipped to its customers at Vancouver International Airport (YVR)?
  - 1.1.1 Please provide the forecasted volumes starting in January 2021 until five years after the Vancouver Airport Fuel Delivery (VAFD) Project begins operations.
  - 1.1.2 Please provide reports and analysis used to determine this quantification.
  - 1.1.3 Please provide the annual volumes shipped by Parkland on the PKMJF Jet Fuel Line (JFL) since 2007 to present.

**Reference (ii): Exhibit C1-19 (Parkland Public Evidence), PDF p. 5**

On PDF p.5 of the Parkland Public Evidence, in response to Q11, Parkland states:

Parkland has contractual obligations to supply airline customers at YVR, and currently the only viable way to deliver jet fuel produced at the Burnaby Refinery to YVR is through the Jet Fuel Pipeline. Parkland therefore must continue to ship jet fuel through the Jet Fuel Pipeline until Parkland either has another option for delivery to YVR or no longer has contractual obligations to supply jet fuel to customers at YVR.

Currently, shipment levels on the Jet Fuel Pipeline are reduced due to lower demand for jet fuel as a result of the ongoing COVID-19 pandemic. Demand for air travel during the pandemic has substantially decreased, and therefore demand for jet fuel has also substantially decreased. Pursuant to PKMJF's tariff design, at the reduced shipment levels on the Jet Fuel Pipeline the effective per unit cost of PKMJF's tariff has more than tripled when compared to pre-COVID-19 levels.

Once the new VAFFC marine terminal facilities are complete and operational, Parkland will evaluate the most economic alternative to supply jet fuel to YVR. If jet fuel produced at the Burnaby Refinery is the only product shipped on the Jet Fuel Pipeline and Parkland is responsible for the entirety of PKMJF's proposed tariff, Parkland expects that it would not be economical for Parkland to use the Jet Fuel Pipeline.

PKMJF seeks to better understand Parkland's utilization of its anticipated transportation options.

- 1.2 Please confirm and explain Parkland's intention to ship or not to ship on the JFL after the VAFD Project begins operations.
- 1.3 Please provide the toll that would be required for Parkland to continue shipping on the JFL after the VAFD Project begins operations?
- 1.4 Please provide copies of any communications with suppliers of jet fuel to the JFL, including Vancouver Airport Fuel Facilities Corporation (VAFFC) and members of the consortium of Canadian airlines that own VAFFC, regarding Parkland's future supply of jet fuel for throughput on the JFL, VAFD Project, and other transportation alternatives.
- 1.5 Has Parkland made any shipping commitments in relation to the VAFD Project?
  - 1.5.1 If yes, please describe those commitments.
  - 1.5.2 If yes, please specify monthly and annual volumes.
  - 1.5.3 If yes, please provide the terms and at what cost service would be provided.
    - 1.5.3.1 Please confirm whether Parkland will share in the revenue or profits generated from the VAFD Project. If so, please provide the "net toll" that Parkland will pay in \$/bbl (*i.e.*, applicable tolls minus applicable revenues). If not, please explain why not.
  - 1.5.4 If yes, please provide any minimum or other shipping quantity requirements agreed to by Parkland in relation to the VAFD Project.
  - 1.5.5 If yes, please specify the date(s) on which these commitments were made.

- 1.5.6 What, if any, capital expenditures or contractual arrangements has Parkland made or would Parkland need to make in order to utilise the VAFD Project?
- 1.5.6.1 If such capital expenditures or contractual arrangements are required, has Parkland's Board of Directors or management discussed if or when such expenditures will be made or approved? Please provide copies of all documents in relation to the discussions. Please fully describe your response.
- 1.5.7 If no, please describe if Parkland is in discussions with VAFFC to utilize the VAFD Project and provide copies of all documents in relation to the discussions. Please fully describe your response.
- 1.5.8 If no, has Parkland made any shipping commitments or is in any discussions for alternative transportation for jet fuel from its Burnaby Refinery to YVR? Please fully describe your response.
- 1.6 What forecast annual volume will remain for Parkland to transport on the JFL or alternative means of transportation following full utilization of the VAFD Project?
- 1.7 Please describe whether Parkland would be willing to execute a take-or-pay contract with PKMJF to use the JFL for the period prior to the VAFD Project commencing operations, the terms of which would allow PKMJF to have the opportunity to recover its costs, earn a reasonable profit, and collect a reasonable surcharge for future abandonment costs?
- 1.8 Please describe whether Parkland would be willing to execute a take-or-pay contract with PKMJF to use the JFL for the period after the VAFD Project commences operations, the terms of which would allow PKMJF to have the opportunity to recover its costs, earn a reasonable profit, and collect a reasonable surcharge for future abandonment costs?
- 1.9 Please provide copies of any reports, studies or other communications relating to the economic viability or economic life of the JFL, along with any working papers that may have been prepared with respect to that issue.

## **2.0 Alternatives to Jet Fuel Line and Economic Evaluation of Alternatives for Transporting Fuel**

**Reference: Exhibit C1-19, (Parkland Public Evidence), PDF p. 6**

On PDF p. 6 of the Parkland Public Evidence, in response to Q12, Parkland states:

Prior to the completion of the VAFFC marine terminal, Parkland does not have a viable alternative to deliver jet fuel to YVR. Parkland must fulfill its contractual obligations with its customers at YVR, even if Parkland considers the tariff on the Jet Fuel Pipeline to be excessive at this time.

Once the VAFFC marine terminal facilities are complete and operational, Parkland will consider sending its jet fuel by barge to the VAFFC marine terminal to fulfill Parkland's

contracts with customers at YVR. Marine carriers available to Parkland are licensed to move petroleum products through the Vancouver harbor.

Parkland will continue to evaluate its use of the Jet Fuel Pipeline based on the most economically efficient option available.

Parkland states that it "will continue to evaluate its use of the Jet Fuel Pipeline based on the most economically efficient option available". PKMJF seeks additional information regarding how Parkland will make its economic evaluations of its transportation options.

- 2.1 Please describe what alternatives exist for Parkland to transport jet fuel from the Burnaby Refinery to YVR.
  - 2.1.1 Please provide a discussion of these alternatives including the assessment of economic viability for Parkland to use these options.
  - 2.1.2 Please provide any analysis, reports, or other communications regarding costs associated with transportation alternatives from the Burnaby Refinery to the YVR, including trucking or barging. Please fully explain your response and include a discussion of alternative markets and/or transportation options for the Burnaby Refinery.
- 2.2 Has Parkland done any analysis regarding toll levels that would be required for transporting jet fuel on the JFL to be economic for Parkland after the VAFD Project becomes operational?
  - 2.2.1 If yes, please provide the analysis and indicate the assumptions provided including the volumes, direct costs and allocated costs included in the analysis. Please specify the toll level in \$/bbl that PKMJF would need to charge in order for Parkland to continue shipping on the JFL after the VAFD Project is in service.
  - 2.2.2 If no analysis has been done, please explain why not.

### 3.0 Economic Life

**Reference: Exhibit C1-19-1, (Parkland – Evidence of J. Dyack [“MNP Evidence”])**

On PDF p. 3 of the MNP Evidence, in response to Q7, Mr. Dyack states:

PKMJF takes the position that the economic life of the JFL is limited. With the completion of the Vancouver Airport Fuel Delivery ("VAFD") project forecast for late 2021, PKMJF expects that the JFL will be bypassed. Assuming the VAFD is completed before the end of 2021, PKMJF considers the JFL's "... *remaining economic life to be no more than three years from January 1, 2019*".

The VAFD is owned by Vancouver Airport Fuel Facilities Corporation ("VAFFC") which, prior to the COVID-19 pandemic, shipped 60% of the volume along the JFL. PKMJF expects that, starting in 2022, VAFFC will cease to use the JFL and it will become "*economically unviable*" for the remaining shippers, including Parkland.

