



MONTREAL PIPE LINE LIMITED
Safety, Environment, Customer, Community

Via email: costrecoveryregulations@cer-rec.gc.ca

November 30, 2021

Canada Energy Regulator
Suite 210, 517 Tenth Avenue SW
Calgary, AB T2R 0A8

Attention: Mr. Jean-Denis Charlebois, Secretary of the Commission

Dear Mr. Charlebois,

**Re: Montreal Pipe Line Limited
Comments on *Proposal – CER Cost Recovery Regulations***

In a letter dated November 1, 2021, the Canada Energy Regulator (“CER”) invited pipeline companies to provide comments on the *Cost Recovery Regulations Regulatory Proposal* which proposes to change the long standing method for recovery of the CER’s costs attributable to carrying out its mandate. By November 30, 2021, companies may submit comments on the proposal prior to publishing in the Canada Gazette, Part I.

Montreal Pipe Line Limited (“MPLL”) appreciates the opportunity to provide feedback and comments on the proposal which are provided below. MPLL hopes the CER will take these comments into consideration when finalizing the regulations.

Overview

MPLL operates a 115 kilometer pipeline across sections of Quebec and a terminalling operation in Montreal. Substantially all of the throughput volumes on MPLL that are reported to the CER for cost recovery are associated with its terminalling activities and involve mostly on-site piping of approximately 3 kilometers in length and a limited number of other assets associated with the pipeline system.

Modernizing the fixed levies recovered from small and intermediate companies (Section B)

In Section B of the CER proposal, the CER outlines a new strategy to allocate costs to the small and medium companies. Citing inflation and the expansion of CER costs since the original *Act* set fees for small and medium pipelines, the CER proposes a new methodology for allocating costs that no longer relies on cost of service for the pipeline and instead focuses on pipeline length. Pipeline companies with less than 10 kilometers of pipeline would be limited to paying only 5 percent of their actual throughput cost. MPLL is concerned that this does not fairly account for pipeline systems, such as MPLL, that might

have high volumes on only very short segments of their overall pipeline system. The proposed fee structure does not account for these differences and inappropriately allocates these costs as though all of the regulated pipeline's piping has the same throughput. On MPLL's system, about 95 percent of the throughput takes place on approximately 3 kilometers of its pipeline, yet in the proposed allocation of costs there is no recognition or relief for this situation. The 10 kilometer cutoff for reduced fees seems arbitrary and not consistent with the CER objectives for cost recovery which should be reasonably fair and equitable cost allocation across stakeholders. MPLL respectfully requests that the CER consider an approach that recognizes throughput differences on various lengths of regulated piping and that do not assume all volumes apply to the full length of the pipeline regulated. MPLL believes that maintaining cost of service as a measure of system complexity remains a fairer method for assessing fees.

Relief (Section C)

As one of the only oil pipelines that qualifies for relief under the current regulations, MPLL is concerned about the proposed change to utilize rate base instead of cost of service to ensure equitability of fees. The CER cites that the use of cost of service has consequences due to companies potentially bouncing between small, medium and large status based on the cost of service estimations and the challenges this creates in establishing and collecting fees. MPLL is not aware that this has been a significant issue with other pipelines in the past and it has not been an issue for MPLL. MPLL has consistently qualified as a large pipeline based on a cost of service greater than \$10 million. MPLL respectfully requests that the CER continue to use the 2 percent of cost of service in limiting fees and not change it to the proposed rate base. Contrary to what is outlined in the CER's proposal, cost of service is very simple to calculate and MPLL believes it is a better measure of the complexity and value of the system being regulated, particularly for smaller pipelines that do not currently calculate a rate base such as MPLL. Relatively modest investments by smaller pipelines in maintaining the assets could trigger significant additional CER fees. These investments may not be recoverable by the pipeline through tolling and might not be reflected in the pipeline's future cost of service. MPLL is concerned that over time the CER fees may rise to be a significant percentage of the pipeline's annual cost of service and disproportionate when compared to larger pipeline systems. It is for these reasons, MPLL requests that the method for relief not be changed. If the CER proceeds with using the rate base as a measure for establishing limits on fees, MPLL requests that "ready cash" required under the Pipeline Safety Act and property associated with deactivated assets not be included in the rate base calculation and an additional measure be put in place to ensure fees are not disproportionate to the pipeline's cost of service.

Closing Comments

To summarize, MPLL is requesting the CER consider the following changes to the proposal:

- Relief in fees to address lower pipeline complexity should be based on the pipeline's cost of service and not the length of pipeline.
- The 2 percent limit on cost of service should remain and not changed to the proposed 2 percent of rate base.

MPLL appreciates the CER's willingness to consult with industry on the implementation of the regulations regarding the recovery of fees. MPLL is willing to participate in future discussions or answer any questions the CER might have regarding the points made above. If you have any questions or concerns regarding the information above please feel free to contact the undersigned using the contact information above.

Best Regards,

President

cc: