Email: costrecoveryregulations@cer-rec.gc.ca

November 30, 2021

Canada Energy Regulator
210, 517-10th Avenue S.W.
Calgary, Alberta T2R 0A8

Attention: Rumu Sen, Supply Analyst, Regulatory Policy

RE: Cost Recovery Regulations
File Ad-GA-ActsLeg-Fed-CERA-CRR 0101
Comments of Pembina Pipeline Corporation ("Pembina")

Dear Ms. Sen,

Pembina is in receipt of the Canada Energy Regulator ("CER") 1 November 2021 request for feedback on the 30-Day Comment Period on Regulatory Proposal – Canada Energy Regulator Cost Recovery Regulations (the "CER Letter"). Pembina is pleased to provide comments on behalf of the small, medium and large companies Pembina owns and operates as subsidiaries.

Pembina has reviewed the attachment provided with the letter: the Cost Recovery Regulations Regulatory Proposal (the "Proposal"). Where Pembina has not responded directly to a proposal, agreement should not be inferred.

Pembina encourages and would support further industry consultation on these proposed regulation changes, particularly to ensure that companies can determine the impacts of these proposed changes to them.

A. Recovering costs directly from project applicants who are not currently regulated by the CER and for project applications that are denied or withdrawn

No comment at this time.

B. Modernizing the fixed levies recovered from small and intermediate companies

Pembina agrees with the CER's goal of modernizing the existing regulations "so that [the levies] are allocated to the small and intermediate companies in a more equitable way."[1]However, Pembina wishes to provide comment regarding the proposal to "replace fixed levies for small and intermediate oil and gas pipeline companies with throughput as the metric for determining their costs."

[1] Proposal, pg 4

Pembina respectfully submits that further analysis is needed of the year-to-year impacts that using throughput as the allocative factor could have on an individual company's levies where throughput both for itself and in the industry at large varies over time.

The Proposal also suggests the use of 5% of "throughput cost[2]" to cap the levy pipelines under 10km would need to pay, but there is no definition provided for "throughput cost". Pembina requests clarification of this term to support further consideration of this proposal.

Finally, there may be confidentiality concerns for companies that operate smaller, less complex pipelines with few or no third-party shippers. Sensitive shipper information could be exposed by having throughput information made public when the CER releases its estimate of levies using throughput.

Pembina requests that the CER consider an alternative proposal to the suggested throughput approach consistent with the current methodology. The CER explained in the Proposal the CER budget has increased approximately 5 times from 1990 to 2021.[3] Pembina requests further consideration of the approach of increasing the levies placed in 1990 to a new baseline level. A known levy, indexed to inflation, can be managed by smaller companies with appropriate budgeting mechanisms and would solve the equity problem identified by the CER while achieving the operational simplicity and predictability that are the objectives for the proposals.

C. Relief

Additional information is required for Pembina to understand the impact of this significant proposed change and provide feedback.

At a high level, Pembina has several concerns with using rate base as the main input in the request for relief:

- Requirement of audited financial statements in order to apply for relief poses an administrative and cost burden for those companies not currently required to create audited financial statements. Additionally, Group 2 companies currently follow generally accepted accounting principles. A requirement that they report information similar to that of Group 1 companies in order to apply for relief would require them to change to Gas or Oil Pipeline Uniform Accounting Regulations, a switch that would require both a significant increase in accounting resources as well as a reasonable time frame for implementation;
- Using rate base rather than cost of service as the determining factor for the relief calculation places an arbitrarily higher burden on newer pipelines over older pipelines. It also raises the possibility that a fully depreciated pipeline that was still in operation could be fully relieved from having to pay any levy at all; and
- Rate base can be exponentially higher than cost of service, therefore this proposed change has the potential to exponentially increase the levies paid by those companies seeking relief. Further analysis needs to be done to understand the potential budgetary and toll impacts to companies as a result of this proposed change.

Pembina finally requests CER reconsideration of the need to modify the relief requirements currently in place having regard to the CER's stated objectives a) through g) as outlined in the Proposal.

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[2] Proposal pg 4
[3] Proposal, pg 4

D. Cost recovery allocation and methodology approach

No comment at this time.

Conclusion

Pembina requests additional stakeholder consultation in order for industry to more fully understand the impacts of these proposed changes and whether or not alternative proposals could be made that better meet the CER's objectives.

Pembina appreciates the opportunity to provide these comments and looks forward to participating in the process as it continues. Please contact Kristine Edwards, Senior Advisor, Regulatory Financial Reporting at kedwards@pembina.com with any questions.

Sincerely,

Pembina Pipeline Corporation