



November 30, 2021

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

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

Dear Mr. Charlebois:
Canada Energy Regulator Cost Recovery Regulations Proposal

Cenovus Energy Inc. (“Cenovus”) has reviewed the Canadian Energy Regulator’s (“CER”) Cost Recovery Regulations Regulatory Proposal (“Proposal”) released on November 1, 2021. While Cenovus appreciates the need to update the CER Cost Recovery Regulations, Cenovus has significant concerns with the Proposal, specifically regarding modernizing the fixed levies recovered from small and intermediate companies.

Cenovus has been actively involved with the Canadian Association of Petroleum Producers (CAPP), including the early consultation process leading up to the Proposal. Cenovus agrees with the CAPP submissions on August 21, 2020, as well as CAPP’s comments submitted on November 30, 2021.

Cenovus is concerned that the CER’s Proposal related to modernizing the fixed levies recovered from small and intermediate companies does not:

- effectively consider the equitable recovery of costs to be fair and balanced for each CER-owned pipeline
- achieve simplicity to understand and implement the CER’s Cost Recovery Regulations. In fact, we believe it increases the administrative burden for CER stakeholders; and
- achieve the goal for CER stakeholders to predict, with certainty, CER costs that will be allocated to their company on an annual basis.

Cenovus believes there are two major factors in determining the magnitude and allocation of CER costs. Firstly, whether a pipeline is a single-shipper or a multiple-shipper as the CER will allocate significantly higher resources to manage tolling applications on multiple-shipper pipelines, as these resources are not required under a single shipper pipeline. Secondly, the length of the pipeline will determine the number of integrity inspections and digs required, this is unrelated to a pipeline’s throughput or throughput costs.

Cenovus is also concerned with the newly proposed categorization of only small and intermediate companies based on the length of pipeline. Cenovus believes there is a need to retain more than two classifications, as recommended by CAPP. CER costs differ significantly between small and intermediate companies while large companies with multiple shippers likely incur the highest costs. Small and intermediate pipelines that ship their own product, or product for only one company may fluctuate substantially from year to year therefore, preventing predictable CER costs.

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Cenovus agrees that a percentage of cost of service is a suitable metric to establish thresholds to measure the relative size of a company's pipeline operations. Cenovus would be supportive of a workshop with industry and the CER to discuss this matter further and believes the proposed solutions require further consultation prior to the regulation being finalized.

Thank you for the opportunity to comment on the CER Cost Recovery Proposal and we look forward to your response and next steps in this process.

Sincerely,



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