



Many Islands Pipe Lines (Canada) Limited

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Delivered via E-mail

Canada Energy Regulator
517 Tenth Avenue S.W.
Calgary, AB T2R 0A8
costrecoveryregulations@cer-rec.gc.ca

Dear Sirs/Mesdames:

**RE: Canada Energy Regulator – Cost Recovery Regulations – Regulator
Proposal
Our File: LL13449 E**

Thank you for this opportunity to provide feedback on the proposed design of the Canada Energy Regulator (“CER”) cost recovery regulations.

Background

Many Islands Pipe Lines (Canada) Limited (“MIPL”) is a wholly owned subsidiary of SaskEnergy Incorporated, a Saskatchewan Crown Corporation. MIPL operates a natural gas transmission system with seven pipelines crossing the Alberta-Saskatchewan border, one pipeline crossing the North Dakota-Saskatchewan border, one pipeline crossing the Manitoba-Saskatchewan border, and one crossing the Montana-Saskatchewan border. Gas supplied by MIPL is ultimately used by more than 402,000 residential, farm, commercial, and industrial customers in communities all across Saskatchewan.

The CER’s regulatory proposal considered the following elements and overall methodology when approaching the recovery scheme:

- A. Recovering costs directly from project applicants who are not currently regulated by the CER and for project applications that are denied or withdrawn;
- B. Modernizing the fixed levies recovered from small and intermediate companies;
- C. Relief; and

D. Cost recovery allocation and methodology approach.

MIPL will provide comment on each of these considerations, in turn.

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from project applicants who are not currently regulated by the CER and for project applications that are denied or withdrawn.

MIPL agrees with this regulatory proposal and believes requiring such applicants to account for the regulatory oversight provided to them by the CER, would result in a fairer allocation of regulatory costs.

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

MIPL agrees that levies imposed upon small and intermediate companies should be updated. Changing from a fixed levy approach to a throughput basis for small and intermediate companies, is an easy to understand and implement recovery scheme.

C. Relief

MIPL strongly disagrees with this regulatory proposal. Switching from cost of service to rate base as a measure of relief for regulatory costs presents a dramatic and fundamental change, and has the potential of transmitting an undue burden onto ratepayers. MIPL believes that cost of service should continue to be used when calculating grants of relief.

Rate base is generally the amount of capital invested in the pipeline minus the accumulated depreciation. MIPL takes the position that rate base will not provide a more equitable or robust measure to account for transmission systems of varying complexity and sophistication. For example, rate base could provide a benefit to those pipelines with high throughput and a depreciated rate base. In those instances a pipeline may be eligible for additional relief than would otherwise be allowed under a cost of service model.

Cost of service encompasses operating expenses, depreciation, return on capital, interest and other taxes. It is also a better reflection of the total cost of CER regulation such as compliance audits, which are in addition to the annual levy. Finally, Cost of service provides a better lens to determine an appropriate levy and switching to a rate base measure may ultimately expose ratepayers to rate shock.

MIPL urges the CER to consider the actual impact such a change to relief calculations would have on each company that would be subject to its regulations. MIPL welcomes further consultation in the event that such a major change in regulatory oversight and cost recovery continues to be considered.

D. Cost recovery allocation and methodology approach

Subject to the aforementioned concerns enunciated in B and C above, MIPL agrees that a 3 year billing cycle should remain and that, oil and gas pipeline companies should pay levies based on throughput.

Conclusion

MIPL is thankful for the opportunity to provide these comments.

Where changes to the regulatory regime would result in a dramatic and significant burden on regulated entities, MIPL would argue for some caution, some care, and potentially a narrower scope.

Respectfully submitted,

MANY ISLANDS PIPE LINES (CANADA) LIMITED

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cc: [REDACTED]

