

Osler, Hoskin & Harcourt LLP
Suite 2700, Brookfield Place
225 - 6th Avenue S.W.
Calgary, Alberta, Canada T2P 1N2
403.260.7000 MAIN
406.260.7024 FACSIMILE

PLATEAU ABANDONMENT OF SERVICE ON THE
NORTHERN SEGMENT EXHIBIT B-1

OSLER

Calgary

October 7, 2024

Sander Duncanson
Direct Dial: 403.260.7078
sduncanson@osler.com
Our Matter Number: 1258662

Toronto

Montréal

Filed Electronically

Ottawa

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

Vancouver

New York

Attention: Commission Secretary

Dear Sirs/Mesdames:

**Re: Plateau Pipe Line Ltd. ("Plateau")
Application pursuant to sections 65 and 72(2) of the *Utilities Commission Act*
("UCA") for Abandonment of Service as a Common Carrier on the Northern
Segment (the "Northern Segment") of the Western Pipeline System (the
"Western System") (the "Application")**

We act on behalf of Plateau, as general partner of Pembina West Limited Partnership, with respect to the above-noted Application.

Please find enclosed Plateau's application to the British Columbia Utilities Commission for an order approving the abandonment of service as a common carrier on the Northern Segment of the Western System pursuant to sections 65 and 72(2) of the *UCA*.

Should you have any questions or require any additional information, please do not hesitate to contact the undersigned.

Yours truly,



Sander Duncanson

Encl.

BRITISH COLUMBIA UTILITIES COMMISSION

IN THE MATTER OF the *Utilities Commission Act*, RSBC 1996, c 473,
as amended; and

IN THE MATTER OF an application by Plateau Pipe Line Ltd. pursuant
to sections 65 and 72(2) of the *Utilities Commission Act* for approval to
abandon service as a common carrier on the northern segment of the
Western Pipeline System.

PLATEAU PIPE LINE LTD.

**APPLICATION FOR ABANDONMENT OF SERVICE OF THE NORTHERN SEGMENT OF
THE WESTERN PIPELINE SYSTEM**

October 7, 2024

TO: The Commission Secretary
British Columbia Utilities Commission
6th Floor, 900 Howe Street, Box 259
Vancouver, BC V6Z 2N3

XV. INTRODUCTION

1. Plateau Pipe Line Ltd. (“**Plateau**”), as general partner of Pembina West Limited Partnership (“**PWLP**”), hereby applies to the British Columbia Utilities Commission (the “**BCUC**”) for an order approving the abandonment of service as a common carrier on the northern segment (the “**Northern Segment**”) of the Western Pipeline System (the “**Western System**”) pursuant to section 65 and subsection 72(2) of the *Utilities Commission Act* (“**UCA**” or the “**Act**”).¹
2. The Northern Segment of the Western System is no longer economic to operate. Plateau cannot recover sufficient revenue through tolls to recover the operating costs and capital expenditures necessary to maintain the integrity of aging equipment, and properly compensate Plateau for operating the Northern Segment. There is no shipper willing to pay just and reasonable tolls that would permit Plateau to meet its revenue requirement.

XVI. BACKGROUND

3. The Western System is a crude oil pipeline providing southbound service from Taylor, British Columbia (“**BC**”) to Kamloops, BC and was constructed in 1961. The Northern Segment of the Western System runs from Taylor to Prince George, BC and the southern segment ran from Prince George to Kamloops (the “**Southern Segment**”). The delivery point of the Northern Segment at Prince George connects to the Tidewater Midstream & Infrastructure Ltd. (“**Tidewater**”) refinery.
4. The BCUC regulates the Western Pipeline as a common carrier and thus subject to economic regulation by the BCUC under section 65 of the UCA. The UCA scheme allows the BCUC to, among other matters, set conditions for the abandonment of service of a common carrier.²
5. Service on the Southern Segment was abandoned pursuant to BCUC Order G-282-22, dated October 11, 2022 (“**Southern Segment Abandonment Order**”).³
6. The tolls and service terms on the Northern Segment are currently regulated by BCUC Order G-89-22, dated March 30, 2022 (“**Northern Segment Toll Order**”)⁴ and the Pembina Pipeline Corporation (“**Pembina**”) Rules and Regulations.⁵

¹ RSBC 1996, c 473.

² See description of this statutory scheme in BCUC [Order No. G-5-11](#): An Application by Plateau Pipe Line Ltd. for Approval of the Western System Toll Changes, January 13, 2011, recitals D-E, PDF p 1-2 of 3; and BCUC [Order No. G-10-11](#): An Application by Plateau Pipe Line Ltd. for Approval of the Northeast BC Pipeline and Blueberry Pipeline Toll Decreases, January 20, 2011, at recitals E-F.

³ BCUC Order [G-282-22](#), Plateau Pipe Line Ltd. Abandonment of Service for the Western System (South), October 11, 2022. The Proceeding was [Plateau Pipe Line Abandonment of Service for the Western System \(South\)](#).

⁴ BCUC Order [G-89-22](#), Plateau Pipe Line Ltd. Application for Approval of Tolls for the Western System (North), March 30, 2022. The Proceeding was [Plateau Pipe Line Plateau Pipeline Tolls for Western System](#).

⁵ Pembina Pipeline Corporation, *Rules and Regulations Governing the Transportation of Petroleum* (1 January 2023), online: <https://www.pembina.com/operations/customers>.

XVII. APPLICABLE LEGISLATION AND TEST

7. Under section 65 of the Act, the BCUC is granted the authority to regulate certain pipelines that it declares to be common carriers:

65 (1) In this section, "common carrier" means a person declared to be a common carrier by the commission under subsection (2) (a).

(2) On application by an interested person and after a hearing, sufficient notice of which has been given to all persons the commission believes may be affected, the commission may

(a) issue an order, to be effective on a date determined by it, declaring a person who owns or operates a pipeline for the transportation of

(i) one or more of crude oil, natural gas and natural gas liquids, or

(ii) any other type of energy resource prescribed by the Lieutenant Governor in Council,

to be a common carrier with respect to the operation of the pipeline, and

(b) in the order establish the conditions under which the common carrier must accept and carry energy resources.

(3) On application by a person that uses or seeks to use facilities operated by a common carrier, the commission, by order and after a hearing, sufficient notice of which has been given to all persons the commission believes may be affected, may establish the conditions under which the common carrier must accept and carry crude oil, natural gas, natural gas liquids or prescribed energy resources referred to in subsection (2) (a).

(3.1) Without limiting subsection (2) (b) or (3), **the commission may establish conditions with respect to a common carrier in relation to any of the following matters:**

(a) a toll that may be charged by the common carrier;

(b) extensions, improvements or **abandonment of service.**

...

[Emphasis added.]

8. The BCUC declared Plateau's parent corporation, Pembina, to be a common carrier on the Western System by way of Order P-7-00, shortly after Pembina purchased the Western System from Federated Pipe Lines (Western) Ltd. on July 31, 2000.
9. Plateau, as general partner of the PWLP, operates the Northern Segment. Plateau therefore makes this application for the abandonment of service as a common carrier on the Northern Segment of the Western System pursuant to the jurisdiction of the BCUC under section 65 of the Act.
10. Previously, in Order P-3-01, the BCUC denied an application by Plateau to suspend operations on the Western System. In that Order, the BCUC concluded that the Western System was capable of being operated at tolls that would provide a fair rate of return, based on crude oil supply and demand forecasts and an analysis of other competitive options:

The Commission has determined that Western System tolls through 2004 are competitive with other pipeline alternatives. It has determined that at these rates, and with the anticipated crude oil supply and demand volumes, oil will continue to flow from Taylor to Kamloops at or near historic levels. The Commission has also determined that the tolls set out in Appendices A and B provide sufficient revenue to recover the approved operating expenses and capital costs over a reasonable time period and to provide for a fair return on equity.⁶

As discussed further below, the status of every factor identified by the BCUC in the above excerpt has changed in the 24 years since Order P-3-01 was issued.

11. In making this application, Plateau is instructed by the previous guidance of the BCUC.
12. Most recently, the Southern Segment Abandonment Order considered Plateau’s evidence that “the Southern Segment is no longer a competitive or viable option, is no longer used and useful, and has reached the end of its economic life.”⁷ Based on this evidence, the BCUC approved Plateau’s request to abandon service on the Southern Segment.
13. The BCUC has similarly approved applications for cessation of service under section 41 of the Act (relating to cessation of service on a public utility) when:
 - the facility was “not required for transmission support services”;⁸
 - the facility was “not in use as it is currently inoperable without additional work and is near end-of-life”;⁹ and when
 - the facility was “no longer a useful facility for generating electricity and should be removed from utility service.”¹⁰

⁶ BCUC [Order No. P-3-01](#): An Application by Plateau Pipe Line Ltd. for Approval of 2000 and 2001 Tolls and Suspension of Service, June 26, 2001, Decision, at section 8.3, PDF p 77 of 103.

⁷ BCUC Order [G-282-22](#), Plateau Pipe Line Ltd. Abandonment of Service for the Western System (South), October 11, 2022, Recital E, PDF p 1 of 2.

⁸ BCUC [Order No. G-198-16](#): British Columbia Hydro and Power Authority Application to Cease Operations of Burrard Thermal Generating Station, December 29, 2016, PDF p 2 of 2.

⁹ BCUC [Order No. G-42-12](#): An Application by British Columbia Hydro and Power Authority, To Permanently Cease Operations at the Heber Diversion Dam, April 5, 2021, recital B, PDF p 1 of 2.

¹⁰ BCUC [Order No. G-21-02](#): An Application by British Columbia Hydro and Power Authority for Permission to Cease Operations of Utility Assets, March 28, 2002, recital F, PDF p 1 of 2; see also BCUC [Order G-78-10](#): An Application by British Columbia Hydro and Power Authority for Permission to Retire Assets, April 29, 2010, recital G, PDF p 1 of 2; and BCUC [Order No. G-80-00](#): An Application by British Columbia Hydro and Power Authority for Approval to Retire Utility Assets, August 24, 2000, recital F, PDF p 2 of 2.

14. Other regulators have considered comparable factors when considering whether to allow common carrier pipelines to abandon service. For example, the National Energy Board (“NEB”) and its successor, the Canada Energy Regulator (“CER”), have approved applications for abandonment under paragraph 74(1)(d) of the *National Energy Board Act*¹¹ and subsection 241(1) of the *Canadian Energy Regulator Act*,¹² respectively, when:

- the facilities had “been in a non-operational state ... with no prospect for the resumption of flow. The Facilities have reached their end of life”;¹³
- there was “a significant decrease in gas production in the area, which was determined by [the pipeline owner] to be too low to sustain shippers”;¹⁴
- based on a commercial evaluation, there was “no future potential for this asset”;¹⁵
- the gas field serviced by the pipeline had “reached a stage of declining production ... and ceased production”;¹⁶ and when
- the pipeline was “no longer needed.”¹⁷

¹¹ RSC 1985, c N-7.

¹² SC 2019, c 28.

¹³ NEB Abandonment Hearing MHW-003-2017: Alliance Pipeline Ltd. Application for final site decommissioning and reclamation of the Clairmont Meter Station and associated facilities, August 28, 2017, section 1.2, PDF p 3 of 7 ([A85681-1](#)).

¹⁴ NEB Abandonment Hearing MHW-002-2013: AltaGas Holdings Inc. for and on behalf of AltaGas Pipeline Partnership Application pursuant to paragraph 74(1)(d) of the National Energy Board Act for Coutts Gas Export Pipeline Abandonment, October 29, 2013, section 1.1, PDF p 2 of 8 ([A54982-1](#)).

¹⁵ NEB Abandonment Hearing MHW-005-2019: AltaGas Holdings Inc. on behalf of AltaGas Pipeline Partnership Application for Approval to Abandon the Pouce Coupe B Pipeline, August 12, 2019, section 2.2, PDF p 3 of 8 ([C00959-1](#)).

¹⁶ NEB Hearing MH-049-2018: Encana Corporation Application for the abandonment of Deep Panuke NEB-regulated facilities dated 19 June 2018, under section 74 of the National Energy Board Act, May 2, 2019, section 1.1, PDF p 2 of 63 ([A99246-1](#)); see similar reasoning in NEB Hearing MH-047-2018: ExxonMobil Canada Ltd. Application for the abandonment of Sable Offshore Energy Project NEB-regulated facilities dated 29 March 2018, under section 74 of the National Energy Board Act, August 9, 2018, section 1.1, PDF p 2 of 70 ([A99247-1](#)).

¹⁷ NEB Abandonment Hearing MHW-003-2013: Forty Mile Gas Co-op Ltd. (Forty Mile) Abandonment Application - Order XG-F73-4-98, December 6, 2013, section 1.1, PDF p 2 of 7 ([A55784-1](#)).

15. In Reasons for Decision MH-3-2000,¹⁸ the NEB approved suspension of service where the pipeline on which service was proposed to be suspended was continuing to be used. There, “the costs of operating the lateral greatly exceed the revenues derived from deliveries” and “projected revenue from tolls is less than the costs that could be avoided by terminating service”, rendering the line “uneconomic.”¹⁹ The NEB held in that case that “the effect of a proposed suspension of service on the viability of an individual shipper’s business or existing approach to that business is a factor that may be weighed in relation to the overall public interest when applying a test of reasonableness”, but that such effect must be balanced with other public interest considerations including whether requiring continued service would place an “undue burden” on the pipeline.²⁰ Overall, notwithstanding potential impacts of suspension on one of the pipeline’s customers, the NEB concluded that “continued operation of the DVL is uneconomic and maintaining its operation would require substantial cross-subsidization from other shippers, which would be unreasonable in the circumstances and contrary to the public interest in operating pipelines in an economically efficient manner.”²¹
16. As discussed below, each of the factors supporting abandonment of service in prior BCUC, NEB and CER decisions is now present on the Northern Segment.

XVIII. ECONOMIC VIABILITY OF NORTHERN SEGMENT

17. The Northern Segment is at the end of its useful life. There is only one shipper remaining on the Northern Segment, and that shipper is unwilling to pay the rates necessary to recover Plateau’s revenue requirement. The Northern Segment is therefore no longer economically viable. Service should be abandoned.
- (A) Historical Increases in Tolls**
18. Over the past twenty years, tolls have escalated on the Northern Segment to address revenue shortfalls, escalating integrity costs, and a dwindling number of shippers.²²

¹⁸ NEB Reasons for Decision MH-3-2000, Trans-Northern Pipelines Inc. Suspension of Service, November 2000 ([2000-11-23](#)) [DVL Decision].

¹⁹ DVL Decision, PDF p 19 of 25.

²⁰ DVL Decision, PDF pp 14 and 19 of 25 [Emphasis added].

²¹ DVL Decision, PDF p 19 of 25.

²² These events included the Pine River spill which occurred within hours of Pembina purchasing the Western System, severe rainfall and flooding causing pipeline exposures in June 2011 and the most recent event in June 2016, when the Western System suffered significant geotechnical and hydro-technical related events that led to a two-month force majeure and significant repair costs as a result of severe rainfall and flooding in Northeast BC.

19. Tolls for movements on the Northern Segment (from Taylor to Prince George) were set at \$12.00/m³ for Long-Term Service Toll Settlement (“LTSTS”)²³ shippers, or \$15.00/m³ for non-LTSTS shippers, by way of Order G-58-13 dated April 18, 2013.²⁴ As noted in Order G-58-13, there were four LTSTS shippers at the time.
20. Effective May 1, 2016, tolls from Taylor to Prince George were increased to \$35.00/m³ for LTSTS shippers or \$43.75/m³ for non-LTSTS shippers, by way of Order G-55-16.²⁵ As noted in Order G-55-16, there were three LTSTS shippers as of that date.
21. As a result of a June 2016 force majeure event on the Northern Segment, Plateau applied for a toll increase on the Western System on July 28, 2016, and then a further toll adjustment on September 9, 2016, whereby tolls on the Northern Segment (from Taylor to Prince George) increased to \$61.00/m³, or \$76.25/m³ for non-LTSTS shippers. The BCUC approved the tolls in Order G-148-16.²⁶ As noted in Order G-148-16, there were only two LTSTS shippers as of September 2016.
22. Following Order G-148-16, Chevron ceased shipments on the Western System, leaving a single shipper utilizing the Northern Segment.²⁷ Plateau accordingly applied for and was granted approval to abandon service on the Southern Segment through the Southern Segment Abandonment Order.

²³ The LTSTS between PWLP and four shippers that was approved by the BCUC effective March 1, 2012 until its expiry on December 31, 2016, by way of BCUC Order [G-58-13](#): An Application by Plateau Pipe Line Ltd. for Approval of the Western Pipeline System Permanent Tolls and the Long-Term Service Toll Settlement Agreement, April 18, 2013. Non-LTSTS shippers were, under the LTSTS, subject to an interruptible service toll of 125% of the then effective toll.

²⁴ BCUC Order [G-58-13](#): An Application by Plateau Pipe Line Ltd. for Approval of the Western Pipeline System Permanent Tolls and the Long-Term Service Toll Settlement Agreement, April 18, 2013.

²⁵ BCUC Order [G-55-16](#): Plateau Pipe Line Ltd. Application for Approval of 2016 Revised Tolls on the Western Pipeline System, April 28, 2016.

²⁶ BCUC by way of Order [G-148-16](#): Plateau Pipe Line Ltd. Application for Approval of Revised Tolls on the Western Pipeline System Effective September 1, 2016. Though the term “LTSTS” is carried through, this Order also approved a new Long Term Service Toll Settlement with new parties.

²⁷ The sole remaining shipper was Husky Energy Marketing Inc., Tidewater’s predecessor in interest. See paragraph 26 for more detail.

23. Through negotiations with Tidewater and cost management on the Northern Segment, Plateau was able to reach agreement with Tidewater for a new negotiated settlement (“**Tidewater Agreement**”) which the BCUC approved through the Northern Segment Toll Order. The Tidewater Agreement allowed for reduced tolls for uncommitted shippers at the firm rate of \$61.39/m³ for Taylor to Prince George, while implementing a confidential, variable rate for the committed shipper (i.e., Tidewater).²⁸ The negotiated tolls approved in the Northern Segment Toll Order were for shipments through to the end of December 2024. For the reasons discussed below, tolls on the Northern Segment would need to increase substantially for continued operations in 2025 and beyond, in light of declining use of the Western System and escalating integrity costs.

(B) Declining Use of the Western System

24. Since 2019, the Northern Segment, being the only part of the Western System now in operation, has operated at between 43% and 50% of its available capacity.

25. Historically, the Western System delivered Sour West crude oil from northeast BC to Tidewater’s Prince George refinery, to Kamloops and ultimately to the Trans Mountain Pipeline System (“**TMPL**”) via the Southern Segment. Deliveries on the Western System dropped to less than half of pre-2015 throughput when, in 2015 and 2016, firm shippers ceased shipments to the TMPL. The dramatic decline in throughput and dwindling number of shippers is shown in the following table.

Northern Segment Throughput Volumes 2010-2023

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Number of Shippers	3	3	4	4	3	4	2	2	1	1	1	1	1	1
Throughput (m³/day)	2941	2795	3836	3683	3833	2877	1881	1832	1440	1429	1538	1538	1498	1492

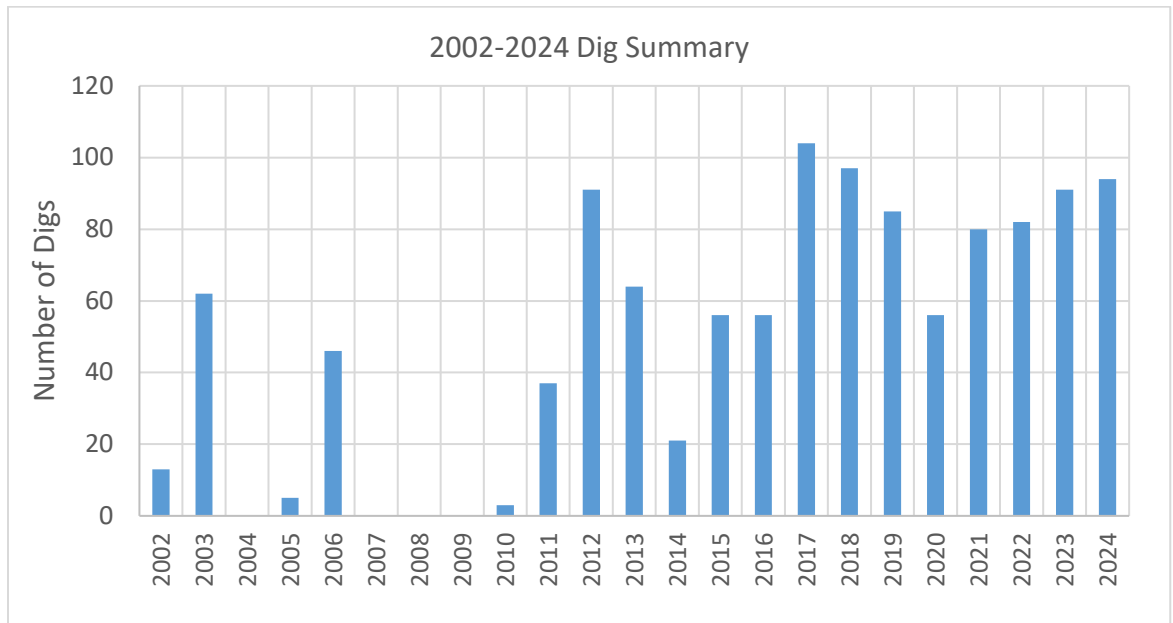
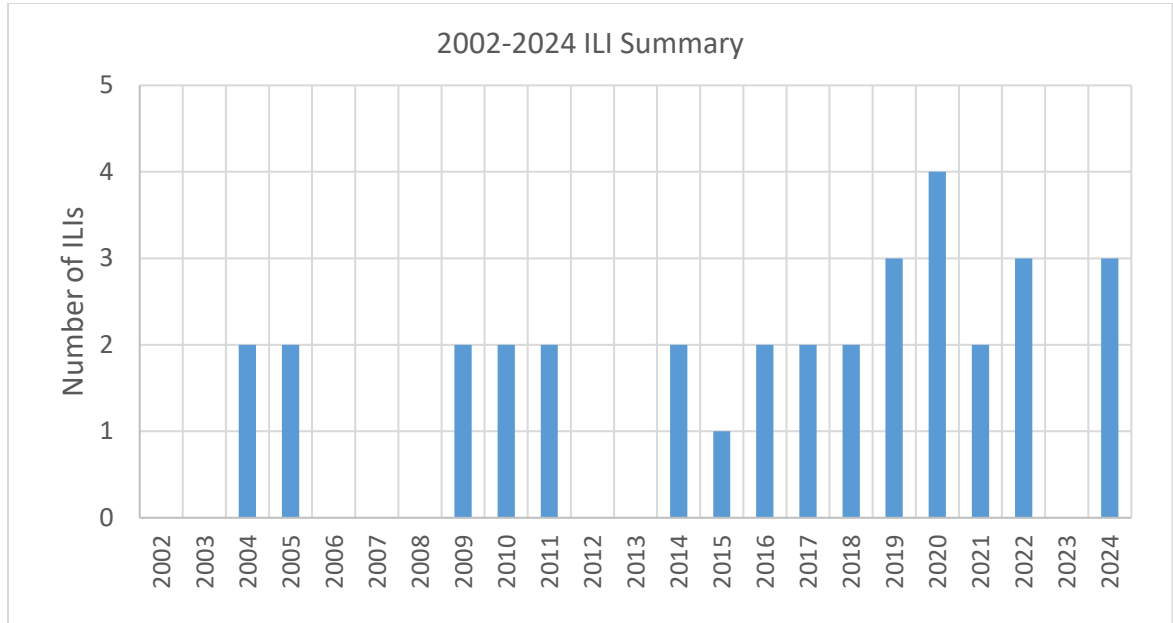
26. Following abandonment of the Southern Segment, a single shipper, Husky Energy Marketing Inc. (“**Husky**”), utilized the Western System solely for deliveries to the Prince George refinery. Husky assigned its contracts for firm service to Tidewater in 2019 after Tidewater acquired the Prince George refinery from Husky. Plateau has not received any requests for service on the Western System from any shipper other than Tidewater during the five years since Tidewater became the sole shipper on the Northern Segment.

(C) Escalating Costs to Maintain Service on Northern Segment

27. The Northern Segment travels through challenging terrain, including 363 active and identified hydrotechnical hazards (water crossings and encroachments). Timely and proactive mitigations are essential to continued safe and reliable operation of the pipeline.

²⁸ BCUC Order [G-89-22](#), Plateau Pipe Line Ltd. Application for Approval of Tolls for the Western System (North), March 30, 2022. The Proceeding was [Plateau Pipe Line Plateau Pipeline Tolls for Western System](#).

28. Further, the Northern Segment has been in service for more than 63 years and components of the system are approaching the end of their operable lifespan. Since Plateau’s acquisition of the pipeline in 2000, the number of in-line inspections (“**ILIs**”) conducted to assess integrity concerns has risen, while the number of direct inspections required to address integrity issues (“**digs**”) has increased significantly, as shown in the following graphs.



29. Based on a simple linear regression trend, Plateau estimates that \$250 million would be required for anticipated ILIs and digs during the next ten years. These trends correspond to increasing costs incurred to monitor and mitigate pipeline integrity issues, which are expected to accelerate going forward.

30. Further, Plateau has already identified several major expenditures that would be required for continued operation of the Northern Segment within the next three to ten years (in addition to the more routine ILIs and digs), including the following:
- (a) Horizontal directional drilling (“HDD”) necessary to address accelerating slope instability at a portion of the pipeline near Taylor, BC, estimated at \$21,826,509.²⁹
 - (b) Realignment of a portion of the Northern Segment currently attached to the underside of the Taylor Bridge, which crosses the Peace River on Highway 97, using HDD. Plateau understands that investigations are currently underway by the Province of BC regarding removal and replacement of the Taylor Bridge. If the Taylor Bridge is removed, the Northern Segment will require rerouting using HDD, at an estimated cost of \$50 million.
 - (c) Replacement of programmable logic controllers at Stations 1, 3 and 4, at an estimated cost of at least \$6 million.
 - (d) Replacement of turbine meters at Station 1, estimated at \$600,000.
 - (e) Expenditures to address known deadlegs, worn piping and corrosion concerns at stations throughout the Northern Segment, at an estimated cost of at least \$1 million.
 - (f) Replacement of aging pressure transmitters, remote terminal units, and block valve components, at an estimated cost of at least \$1 million.
31. Given there is no long-term economic viability for the Northern Segment, these costs cannot be amortized over multiple years without Plateau taking material risk that they will never be recovered from shippers. As such, these costs would need to be recovered from shippers in the same time frame that they are incurred. For 2025, expected integrity expenditures would increase tolls to over \$100/m³.³⁰

²⁹ Plateau notes this estimate differs from that provided to the BCUC in the [proceeding to consider a Complaint filed by Tidewater regarding the Western Pipeline System](#). Plateau has refined its class 5 estimate (error range of +50%/-40%) to a class 3 estimate (+20%/-15%) resulting in the increase. This figure also includes \$1,057,540.00 of spend already incurred, at least some of which has not been recovered via tolls due to deferral of the project late in 2024 to 2025.

³⁰ Plateau has calculated a toll of approximately \$101/m³ is necessary for 2025 with 91% of that amount covering estimated integrity and operational expenditures.

(D) Competitive Alternatives

32. As the tolls on the Northern Segment increase, other crude transportation options to Prince George become more and more competitive. For example, Plateau understands that rail transportation from Taylor or Acheson to Prince George is available at an estimated cost of \$30/m³. Plateau understands that truck transportation from Taylor to Prince George is also available, at an estimated cost of between \$45 and \$60/m³.³¹ Both of these alternatives are more economic than continued service on the Northern Segment.

(E) Discussion and Issues with Tidewater

33. The Tidewater Agreement expires on December 31, 2024, without any option to renew or otherwise extend the service term.
34. Plateau held an in-person meeting with Tidewater on September 20, 2024 to propose a toll for an extension of service on the Northern Segment to the end of 2027. Plateau requested a written response from Tidewater on the proposed toll by October 2, 2024.
35. Some initial feedback was provided by Tidewater during the September 20th meeting, to which Plateau provided responses, adjusted the proposed toll, and sent Tidewater a revised toll proposal on October 2, 2024, extending the date for a written response to October 4, 2024. Apart from the initial feedback provided during the September 20th meeting, Plateau has received no other feedback or inquiries into the proposed toll or extension of service from Tidewater.
36. Based on Tidewater declining to provide written acceptance by October 4, 2024, as well as there being no outstanding feedback or inquiries into the proposed toll or extension of service, it is Plateau's understanding that Tidewater is unwilling to commit to pay for the reasonable costs and terms of service on the Northern Segment. Tidewater has provided Plateau with no assurance that it will continue to use the Northern Segment beyond the end of 2024 and that it will pay the reasonable costs of such service.

(F) Tidewater's Credit Risk

37. Tidewater has a history of declining creditworthiness. Since 2021, Tidewater's credit rating, as provided by S&P Global, has declined from a B+ to a B- rating, with a rating of CCC in 2022. A B- rating from S&P indicates a company is highly speculative as an investment target although currently able to meet financial obligations; a CCC rating suggests a high risk of default with greater vulnerability to adverse business conditions.

³¹ Rail pricing estimate based on information obtained from Canadian National Railway pertaining to rate, transit times, and fuel surcharge, while trucking estimates are based on internal information held by Pembina.

38. Plateau is exposed to the risk of shippers defaulting on the Northern Segment. This risk of default increases materially when there is only one shipper on the system and is heightened further when that shipper has poor creditworthiness. To date, Tidewater has failed to comply with Plateau’s demands for Tidewater to provide financial assurances in accordance with the Pembina Rules and Regulations.³²
39. Combined with other indicia that the Northern Segment is no longer economically viable, Tidewater’s poor and declining creditworthiness makes it unreasonably risky for Plateau to make the investments necessary to continue providing service on the system. As discussed above, major expenditures are now necessary to continue to safely operate the Northern Segment. Plateau has no assurance that Tidewater or any other shipper would pay rates necessary to recover these costs.

XIX. DEACTIVATION WITH BCER AND FUTURE OF PHYSICAL INFRASTRUCTURE

40. The physical infrastructure of the Northern Segment is overseen by a robust regulatory framework under the *Energy Resource Activities Act*,³³ (“**ERAA**”) and the *Pipeline Regulation*,³⁴ supervised by the BC Energy Regulator (“**BCER**”). In the case of deactivation, that regulatory framework includes section 3 of the *Pipeline Regulation*, which requires a pipeline to be deactivated according to CSA Z662. CSA Z662 is a comprehensive code which ensures that the safety of the public and the environment is properly protected, and BCER supervision ensures that its requirements are met.
41. The requirements in the above regulatory framework for a notice of intent for the deactivation of a pipeline are extensive – such notice must include:
- reason for pipeline deactivation;
 - method of isolation;
 - pressure left on the pipeline;
 - medium used to fill the pipeline and the effects of the medium on the integrity of the pipeline;
 - method being used for internal and external corrosion monitoring and mitigation;
 - planned length of deactivation;

³² Pursuant to section 27 of Pembina’s Rules and Regulations, Plateau demanded performance assurances from Tidewater on March 14, 2024, May 1, 2024, May 27, 2024, June 3, 2024, and June 7, 2024. In good faith and recognition of the ongoing dispute over the toll amount charged to Tidewater on the Northern Segment for 2024, Plateau’s June 7, 2024 demand sought only a performance assurance at the lesser toll amount that Tidewater has sought to pay. Tidewater did not respond to the demands made on May 1, 2024, May 27, 2024, or June 7, 2024.

³³ SBC 2008, c 36.

³⁴ BC Reg 281/2010.

- planned maintenance activities on the pipeline during the deactivation time frame;
 - field map showing the wells and pipelines in the area and which are active, suspended / deactivated and abandoned. This can be a screenshot of a map / drawing showing the pipelines;
 - deactivation form completed by the field officer at the end of the work.³⁵
42. Such work must also comply with CSA Z662 and landowners must be notified.³⁶
43. In the event that Plateau proceeds to abandon service on the Northern Segment, Plateau will comply with section 3 of the *Pipeline Regulation* and the above requirements. All deactivation activities would also be completed in accordance with Plateau's applicable pipeline integrity management program, which complies with Annex N of CSA Z662, pursuant to section 7 of the *Pipeline Regulation*. This integrity management program would be made available to the BCER on request. Plateau also confirms that it will work with the BCER, First Nations, and other stakeholders throughout the deactivation process. Plateau will ensure that the physical infrastructure of the Northern Segment is handled safely and with appropriate protection of the environment and the public.
44. In addition to deactivation, the BCER also oversees the physical abandonment of pipelines in BC. At this time, Plateau does not wish to physically abandon the Northern Segment. Any eventual abandonment would comply with BCER requirements, as discussed above, including for consultation.

XX. COSTS OF ABANDONMENT OF SERVICE AND DEACTIVATION

45. Plateau confirms it has the financial resources to support the deactivation and potential abandonment of the Northern Segment.

(A) Net book value of assets

46. As of December 31, 2023, the net book value of the Northern Segment is nil. The value of the physical pipeline assets has been fully depreciated, and there is no salvage value for the physical assets. As the lands occupied by the Northern Segment are a leased asset, land value is also nil.

(B) Costs to physically deactivate and physically abandon the Northern Segment

47. To date, the work required to physically deactivate the Western System has been financed through a combination of cash balances and Pembina's revolving credit facility. Any deactivation work required going forward will be financed in the same way.

³⁵ BCER, Oil and Gas Activity Operations Manual, Version 1.33, August 2021, 11.5.7 NOI: Deactivate / Abandon a Pipeline at pp 161-162, PDF pp 161-162 of 212.

³⁶ BCER, Oil and Gas Activity Operations Manual, Version 1.33, August 2021, 11.5.7 NOI: Deactivate / Abandon a Pipeline at p 163, PDF p 163 of 212.

(C) Ongoing maintenance costs associated with the deactivated line

48. Plateau confirms its responsibility for ongoing activities associated with a deactivated line, including but not limited to the monitoring and maintenance of pipeline crossings and rights of way, sign maintenance, cathodic protection, and other general maintenance activities. Plateau confirms the annual maintenance costs associated with the deactivated Northern Segment would not be borne by former shippers on the Northern Segment nor by shippers on any other regulated pipeline in BC.

XXI. STAKEHOLDERS

49. Tidewater is the only shipper who may be affected by the abandonment of common carrier service on, and the deactivation of, the Northern Segment. Tidewater's predecessor, Husky, assigned all interests in firm service to Tidewater in 2019. No other shipper has utilized the Northern Segment for deliveries to Prince George since at least 2010.
50. Plateau notified Tidewater of its intent to file this application and, as described above, has sought to address Tidewater's concerns with the proposed abandonment of service and deactivation of the Northern Segment. Plateau will also engage with other stakeholders (including municipalities, landowners and area First Nations as necessary) as required by the BCER for activities related to the physical infrastructure of the Northern Segment.

(A) Shippers and Interested Parties

51. As discussed extensively above, the tolls necessary to continue operating the Northern Segment would not be economical for its sole shipper. Given the integrity work necessary to safely and securely operate the Northern Segment in 2025 and future years, Tidewater and other potential shippers are understood to have alternative, more economical sources of transportation. Therefore, ceasing operations on the Northern Segment is the only reasonable response to the state of the pipeline and the growing integrity issues.

(B) Other Stakeholders

52. Pembina will comply with all legislative requirements and any BCER directions regarding work (and notification to stakeholders thereof) related to the deactivation (and potential physical abandonment) of the Northern Segment. As discussed above, the BCER oversees a robust statutory framework regarding physical pipeline infrastructure in BC, including, where appropriate, stakeholder consultation.

XXII. RELIEF SOUGHT

53. For the foregoing reasons, Plateau submits that the abandonment of common carrier service on the Northern Segment is reasonable and in the public interest. It therefore seeks an order from the BCUC that Plateau, PWLP, and Plateau's parent company, Pembina, are no longer required to provide service on the Northern Segment as a common carrier, subject to any conditions the BCUC deems appropriate, pursuant to section 65 and subsection 72(2) of the Act.

54. In light of the pending expiry of the Tidewater Agreement, Plateau requests approval of this application on an expedited basis prior to the end of 2024. If no parties oppose the application, Plateau submits that this timing is reasonable in the circumstances. If Tidewater or another party opposes the application, Plateau will submit an application for interim tolls in 2025 that will apply to service until such time as the BCUC renders its decision on this application.

ALL OF WHICH IS RESPECTFULLY SUBMITTED ON OCTOBER 7, 2024.