

November 30, 2021

Attention: Ms. Rumu Sen  
Canadian Energy Regulator  
Suite 210, 517 – 10<sup>th</sup> Avenue SW  
Calgary, Alberta T2R 0A8

**RE: Canada Energy Regulator – Cost Recovery Regulations Proposal – 30 Day  
Comment Period**

Dear Ms. Sen:

LBX Pipeline Ltd. (“LBX”) has reviewed the Canadian Energy Regulator’s (“CER”) Cost Recovery Regulations Proposal (“Proposal”) released on November 1, 2021. While LBX understands the need to update the CER Cost Recovery Regulations, LBX has significant concerns with the Proposal, specifically regarding the modernization of fixed levies recovered from small and intermediate companies.

LBX understands that the CER’s Proposal seeks to adjust fixed levies among small and intermediate companies in a more equitable way. However, LBX does not believe that determining levies based on throughput is a fair or reasonable method to allocate CER costs to pipeline owners, especially on small and intermediate companies. LBX is concerned that the proposed methodology in the CER’s Proposal does not:

- effectively consider the equitable recovery of costs to be fair and balanced for each CER-regulated pipeline;
- simplify the understanding and implementation of the CER’s Cost Recovery Regulations, and may increase administrative burden for CER stakeholders; and
- allow for CER stakeholders to predict, with certainty, the CER costs that will be allocated to their respective companies on an annual basis.

The CER’s Proposal requires clarifications regarding how the CER will assess and classify each pipeline within a company, and how that will affect the cost allocation and invoicing for each company. Additionally, LBX is concerned with the newly proposed categorization of only small and intermediate companies based on pipeline length. LBX believes there is a need to retain three classifications of small, medium and large companies. CER costs differ significantly between small and intermediate companies, while large companies with multiple shippers will likely incur the highest CER 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.

LBX believes that using a company’s cost of service is a suitable metric to establish thresholds to measure the relative size of a company’s pipeline operations. LBX would be supportive of a workshop with industry and the CER to discuss this matter further and believes the proposed



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solutions require further consultation prior to the regulation being finalized.

LBX appreciates the opportunity to comment on the CER Cost Recovery Regulations Proposal and we look forward to your response and next steps in this process. Should you have any questions regarding this letter, please contact

Yours truly,