



File Ad-GA-RG-CR-03
3 August 2011

Mr. R.R. (Ron) Moore
Manager, Regulatory Affairs
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Mr. Rinde K. Powell
Director, Regulatory Services
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Dear Mr. Moore and Mr. Powell:

Requested Amendment to *National Energy Board Cost Recovery Regulations*

The National Energy Board (the Board) has reviewed your letter dated 1 June 2010 requesting an amendment to the *National Energy Board Cost Recovery Regulations* (CR Regulations).

In a letter dated 18 March 2011, the Board sought comments on the requested amendment from other Board regulated gas pipeline companies and interested associations. The Board received one comment letter dated 27 May 2011 from the Canadian Association of Petroleum Producers (CAPP) in support of the requested amendment.

The Board has considered your submissions and those from CAPP, and is of the view that the CR Regulations should not be amended as requested. The Board is satisfied that the threshold values defining intermediate and large gas pipeline companies in the CR Regulations are effectively meeting their purpose.

When the CR Regulations were implemented, it was anticipated that recoverable costs would be paid primarily by large pipeline and electricity companies with substantial Board regulated facilities. The threshold values that define small, intermediate and large gas pipeline companies continue to achieve this purpose.

The Board's recoverable costs are allocated to the principal energy commodities (gas, oil and electricity), based on time spent by the Board's staff in those areas. Within the commodity groups, costs are further allocated to individual companies using a consistent methodology set out in the CR Regulations. The resulting levies are not intended to directly reflect the Board's regulatory activities regarding a specific company.

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The Board periodically reviews its regulations on its own initiative or in response to concerns raised by stakeholders. Prior to your request, the CR Regulations were most recently reviewed following a request to change the manner of recovering costs within the electricity industry.

The Board is not persuaded that the CR Regulations should be amended as requested. Accordingly, the Board will not, at this time, be proceeding with an amendment to the thresholds in the CR Regulations that define intermediate and large gas pipeline companies.

Yours truly,

A handwritten signature in black ink that reads "AnneMarie Erickson". The signature is written in a cursive, flowing style.

Anne-Marie Erickson
Secretary of the Board

c.c. Mr. Barry Jardine, Manager Regulated Transportation, Canadian Association of
Petroleum Producers, facsimile 403-261-4622