



National Energy Board

Reasons for Decision

Interprovincial Pipe Line Inc.

RH-2-91

September 1992

Addendum

National Energy Board

Addendum to Reasons for Decision

In the Matter of

Interprovincial Pipe Line Inc.

Application dated 27 June 1991 for new tolls
effective 1 January 1992

RH-2-91

September 1992

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1. The tables are numbered as they were in the Reasons for Decision dated June 1992.

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The Addendum

In June 1992, the National Energy Board issued its Reasons for Decision on an application by Interprovincial Pipe Line Inc. ("IPL") for, inter alia, new tolls for 1992. As explained on page x of the Decision, certain figures for the determination of the revenue requirement were not contained therein and were to be calculated by IPL in accordance with the Reasons and Orders TO-1-92 and TO-4-92.

Under cover of letter dated 13 August 1992, IPL filed with the Board the required revenue requirement, supporting working papers, and toll calculations.

The Board has reviewed the figures submitted by IPL and has found them to be in accordance with Orders TO-1-92 and TO-4-92 and its Reasons for Decision. Consequently, in the interest of completeness, the Board is now issuing this addendum to its Decision. The addendum comprises the already-issued final toll Order TO-5-92, as well as, the tables listed on page 2 which show the approved figures. For details regarding the nature of the adjustments shown in the tables, the reader is referred to the Reasons for Decision and, more specifically, to the footnotes to the tables contained therein.

A. B. Gilmour
Presiding Member

R. Illing
Member

K.W. Vollman
Member

Calgary, Canada
30 September 1992

Table 2-1
Revenue Requirement

(\$000)

	Application	Adjustments	NEB Approval
Older System			
Cost of Service Including Income Taxes	252,412	(29,976)	222,436
Cost of Capital	75,018	(8,626)	66,392
Gross Revenue Requirement	327,430	(38,602)	288,828
Less: Other Revenue	139	1,795	1,934
Less: Cost Allocation Adjustment	1,363	(807)	556
Net Revenue Requirement	325,928	(39,590)	286,338
Montreal Extension			
Cost of Service Including Income Taxes	16,973	11	16,984
Cost of Capital	6,880	(417)	6,463
Gross Revenue Requirement	23,853	(406)	23,447
Less: Other Revenue	0	0	0
Net Revenue Requirement	23,853	(406)	23,447
Total System Net Revenue Requirement	349,781	(39,996)	309,785

Table 2-2
Cost of Service Summary

(\$000)

	Application	Adjustments	NEB Approval
Older System			
Total Operating Expenses ¹	199,485	(6,749)	192,736
Provision for Depreciation and Amortization	38,604	(568)	38,036
Other Income Deductions	1,384	(1,344)	40
Overhead and Direct Labor Capitalized	(9,379)	(25)	(9,404)
Administrative Charges to Lakehead	(10,820)	91	(10,729)
Direct and Administrative Charges to IPL(NW)	(4,030)	13	(4,017)
Direct and Administrative Charge to Home Oil	(54)	0	(54)
Other Deductions from Cost Service	(471)	(38)	(509)
Cost of service Before Income Taxes	214,719	(8,620)	206,099
Provision for Income Taxes ²	37,693	(21,356)	16,337
Total Cost of Service	252,412	(29,976)	222,436
Montreal Extension			
Total Operating Expenses ¹	9,868	18	9,886
Provision for Depreciation and Amortization	7,016	(5)	7,011
Cost of Service Before Income Taxes	16,884	13	16,897
Provision for Income Taxes ²	89	(2)	87
Total Cost of Service	16,973	11	16,984

1 See Table 9-1

2 See Table 7-1

Table 3-1
Summary of Rate Base - Older System
(\$000)

	Application	Adjustments	NEB Approval
Assets in Service			
Transportation Plant	1,109,744	(14,391)	1,095,353
Other Plant	2,307	0	2,307
Leasehold Improvements	2,221	49	2,270
Plant Leased to Others	161	0	161
Total Average Assets in Service	1,114,433	(14,342)	1,100,091
Accumulated Depreciation			
Transportation Plant	394,152	(492)	393,660
Other Plant	1,650	0	1,650
Leased Plant	1,041	(1)	1,040
Total Average Accumulated Depreciation	396,843	(493)	396,350
Average Net Assets in Service	717,590	(13,849)	703,741
Allowance for Working Capital ¹	12,864	(821)	12,043
NPIS Adjustment @ -1.61% of Average Net Assets in Service	n/a	(11,330)	(11,330)
Less: Deferred Income Taxes	n/a	(123,100)	(123,100)
Total Rate Base - Older System	730,454	(149,100)	581,354

¹ See Table 3-3

Table 3-2
Summary of Rate Base - Montreal Extension
(\$000)

	Application	Adjustments	NEB Approval
Total Average Assets in Service	241,120	(216)	240,904
Total Average Accumulated Depreciation	191,376	5	191,381
Average Net Assets in Service	49,744	(221)	49,523
Allowance for Working Capital ¹	583	(19)	564
NPIS Adjustment @ -.05% of Average Net Assets in Service	n/a	(25)	(25)
Less: Deferred Income Taxes	n/a	9,844	9,844
Total Rate Base - Montreal Extension	50, 327	9,579	59,906

1 See Table 3-4.

Table 3-3
Determination of Working Capital
Older System
(\$000)

	Application	Adjustments	NEB Approval
Cost of Service ¹	252,412	(29,976)	222,436
Cash Exclusion and Non-Cash Items Included Above:			
Rate Hearing Costs	(450)	200	(250)
Edmonton NGL Project	(804)	804	0
Montreal NGL Project	(540)	540	0
Provision for Depreciation and Amortization	(38,604)	568	(38,036)
Depreciation Recoverable on Charges to Lakehead	807	3	810
Depreciation Recoverable on Charges to IPL(NW)	127	47	174
Depreciation Recoverable on Charges to Interhome	13	0	13
Provision for Deferred Income Taxes	(9,152)	9,152	0
Insurance Expenses	(1,250)	0	(1,250)
Oil Loss - Physical Loss	(684)	(6)	(590)
Oil Loss - Degradation Loss	(1,753)	(17)	(1,770)
Cost of Service Allowance for Working Capital	200,222	(18,685)	181,537
Cash Working Capital			
18/366 x 200,223	9,847	(919)	
18/366 x 181,537			8,928
Operating Materials and Supplies	1,391	(11)	1,380
Prepaid Insurance	389	(2)	386
Employee Mortgages	947	0	947
Goods and Service Tax	290	112	402
Allowance for Working Capital	12,684	(821)	12,043

1 See Table 2-2

Table 3-4
Determination of Working Capital
Montreal Extension
(\$000)

	Application	Adjustments	NEB Approval
Cost of Service ¹	16,973	11	16,984
Cash Exclusion and Non-Cash Items Included Above:			
Provision for Depreciation and Amortization	(7,016)	5	(7,011)
Rate Hearing Costs	0	(250)	(250)
Insurance Expenses	(134)	0	(134)
Oil Loss - Physical Loss	0	0	0
Oil Loss - Degradation Loss	0	0	0
	<hr/>		
Cost of Service Allowance for Working Capital	9,823	(234)	9,589
 Cash Working Capital			
18/366 x 9,823	483	(11)	
18/366 x 9,589			472
Operating Materials and Supplies	100	(1)	99
Prepaid Insurance	42	(1)	41
Goods and Service Tax	(42)	(6)	(48)
	<hr/>		
Allowance for Working Capital	583	(19)	564

1 See Table 2-2

Table 6-2
Approved Deemed Average Capital Structure
and Rates of Return for the Test Year
Older System

	Amount (\$000)	Capital Structure (%)	Cost Rate (%)	Cost Component (%)
Debt - Funded	279,145	44.91	10.79	4.85
Debt - Unfunded	62,717	10.09	9.35	0.94
	<hr/>			
Total Debt Capital	341,862	55.00		5.79
	<hr/>			
Common Equity	279,705	45.00	12.50	5.63
	<hr/>			
Total Capitalizaiton	621,567	100.00		
	<hr/>			
Rate of Return on Rate Base				11.42

Table 6-4
Approved Average Capital Structure
and Rates of Return for the Test Year
Montreal Extension

	Amount (\$000)	Capital Structure (%)	Cost Rate (%)	Cost Component (%)
Debt - Funded	54,905	95.17	10.87	10.34
Debt - Unfunded	2,787	4.83	9.35	0.45
<hr/>				
Total Debt Capital	57,692	100.00		
Common Equity	57,692	100.00		
Total Capitalization	621,567	100.00		
Rate of Return on Rate Base				10.79

Table 7-1
Provisions for Income Taxes and Deferred Taxes
(\$000)

	Application	Adjustments	NEB Approved
Provision for Income Taxes - Older System			
Rate Base	730,454	(149,100)	581,354
Return	75,018	(8,626)	66,392
Less: Return Related to Interest	31,556	2,105	33,661
Return Related to Equity	43,462	(10,731)	32,731
Adjustments for Permanent Differences:			
Meals and Entertainment	183	1	184
Depreciation and Land Rights	277	0	277
Depreciation of Allowance for AEDC	832	(30)	802
Amortization of Debt Discount and Issue Expense on Long-Term Debt - Series C-F	50	0	50
Other Non-Deductible Items	92	0	92
Taxable Capital Gain on Debt Reacquired	216	(186)	30
Accounting Capital Gain	(288)	248	(40)
Large Corporation Tax	1,648	(14)	1,634
Adjustments for Timing Differences:			
Estimated Depreciation	n/a	50,734	50,734
Depreciation of Land Rights	n/a	(277)	(277)
Depreciation of AEDC	n/a	(802)	(802)
Amortization of Rate Hearing Costs	n/a	500	500
Amortization of Debt Discount and Issue Exports on Long-Term Debt			
- Series C-F	n/a	50	50
- Series G	n/a	128	128
- Series H-I	n/a	173	173
Tax Amortization of Series I Debt Discount and Issue Expense	n/a	(234)	(234)
Capitalized General and Administration Overhead	n/a	(4,512)	(4,512)
Capital Cost Allowance	n/a	(60,653)	(60,653)
AIDC	n/a	(1,845)	(1,845)
Income Tax Base	46,472	(27,450)	19,022
Provision for Income Taxes = Income Tax Base x 0.437424/(1 - 0.437424)	36,134	(21,344)	14,790
Large Corporations Tax - Older System	1,559	(12)	1,547

Total provision for Income Taxes and Large Corporation Tax - Older System	37,693	(21,356)	16,337
Provision for Large Corporation Tax - Montreal Extension	89	(2)	87

Table 7-1(continued)
Provisions for Income Taxes and Deferred Taxes
(\$000)

	Application	Adjustments	NEB Approved
Current Provision for Deferred Income Taxes - Older System			
Estimated Depreciation	51,311	(51,311)	n/a
Depreciation of Land Rights	(277)	277	n/a
Depreciation of AEDC	(832)	832	n/a
Total	50,202	(50,202)	n/a
Amortization of Rate Hearing Costs	450	(450)	n/a
Amortization of Debt Discount and Issue Expense on Long-Term Debt			
- Series C-F	50	(50)	n/a
- Series G	128	(128)	n/a
- Series H-I	173	(173)	n/a
Tax Amortization of Series I Debt Discount and Issue Expense	(234)	234	n/a
Capitalization General and Administrative Overhead	(4,468)	4,468	n/a
Capital Cost Allowance	(65,412)	54,412	n/a
AIDC	(1,811)	1,811	n/a
Net Timing Differences	(20,922)	20,922	n/a
Current Provision for Deferred Income Taxes	(9,152)	9,152	n/a
@ 43.7424%			

Table 9-1
Operating Expenses
(\$000)

	Application	Adjustments	NEB Approved
Older System			
Salaries and Wages	44,647	(1,284)	43,363
Operating Fuel and Power Costs	71,833	2,137	73,970
Materials and Supplies	6,156	(83)	6,073
Outside Services	23,073	(6,008)	17,065
Other Expenses	14,474	1,745	16,219
Amortization of Rate Hearing Costs	450	(200)	250
Oil Loss - Physical Loss	584	6	590
Oil Loss - Degradation Loss	1,753	17	1,770
Law Expenses	282	(4)	278
Rent	6,317	(16)	6,301
Employee Benefits	6,550	(219)	6,331
Insurance	1,250	0	1,250
Taxes other than Income Tax	22,116	(2,840)	19,276
Total	199,485	(6,749)	192,736
Montreal Extension			
Salaries and Wages	1,395	(77)	1,318
Operating Fuel and Power Costs	0	0	0
Materials and Supplies	218	(3)	215
Outside Services	490	(128)	362
Other Expenses	666	(10)	656
Amortization of Toll Hearing Costs	0	250	250
Oil Loss	0	0	0
Law Expenses	71	(1)	70
Rent	340	(1)	339
Employee Benefits	205	(12)	193
Insurance	134	0	134
Taxes other than Income Taxes	6,349	0	6,349
Total	9,868	18	9,886
Total System	209,353	(6,731)	202,622

Order TO-5-92

IN THE MATTER OF the *National Energy Board Act* ("the Act") and the regulations made thereunder, and
IN THE MATTER OF tolls to be charged by Interprovincial Pipe Line Inc. ("IPL").

WHEREAS the Board has issued Order TO-1-92 wherein it directed IPL to calculate certain components of its revenue requirement and file tolls ("ordered tolls") conforming with the decisions set out in Decision RH-2-91 dated June 1992.

AND WHEREAS IPL has filed draft tariffs 166, 167, 168 and 170 replacing draft tariffs 165, 166, 167 and 168 filed in its 27 June 1991 application.

AND WHEREAS the Board has issued Order TO-4-92 wherein it directed IPL to calculate tolls for the Older System and Montreal Extension on an integrated basis from the date of reactivation of the Montreal Extension for west-to-east service.

AND WHEREAS the Board has issued Orders TOI-2-91 and TOI-1-92 with regard to the tolls to be charged on an interim basis until the Board's final order comes into effect.

AND WHEREAS IPL has calculated the components of the revenue requirement and designed the ordered tolls in a manner satisfactory to the Board.

AND WHEREAS the Board has determined that the ordered tolls conform to the Board's decision in RH-2-91 and are just and reasonable.

IT IS ORDERED THAT:

1. IPL shall file with the Board, by 11 September 1992, tariffs ("ordered tariffs") incorporating the ordered tolls, as well as appropriate changes to reflect, inter alia, the new tariff NEB numbers.
2. Effective 31 August 1992, Order TO-4-92 shall be revoked.
3. IPL is directed to use an integrated toll methodology whenever calculating tolls for the Older System and the Montreal Extension, while the Montreal Extension is operating for west-to-east service.
4. The tolls filed pursuant to paragraph 1 above shall come into effect 1 September 1992 and shall not extend beyond 31 December 1992.
5. Any tolls and tariffs inconsistent with any Order of the Board, including this Order, are hereby disallowed.

NATIONAL ENERGY BOARD

J.S. Richardson
Secretary