



National Energy Board

Reasons for Decision

Murphy Oil Company Ltd.

OH-1-84

March 1985

Application

National Energy Board

Reasons for Decision

In the Matter of

Murphy Oil Company Ltd.

Application under the National Energy Board
Act

OH-1-84

March 1985

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Abbreviations

The Act	<i>The National Energy Board Act</i>
AERCB	Alberta Energy Resources Conservation Board
Applicant	Murphy Oil Company Ltd.
Board	National Energy Board
Bow River	Bow River Pipelines Ltd.
CENEX	Farmers Union Central Exchange - CENEX
Cs	centistoke
Home Oil	Home Oil Company Limited
km	kilometre(s) (1 kilometre = .62 mile)
M ³	cubic metre(s) (1 m ³ = 6.29 barrels)
mm	millimetre (1 mm = .0394 inch)
Murphy	Murphy Oil Company Ltd.
Oakwood	Oakwood Petroleums Ltd.
O.D.	outside diameter
PanCanadian	PanCanadian Petroleum Limited
Petro-Canada	Petro-Canada Inc.

Recital and Appearances

IN THE MATTER OF the *National Energy Board Act* and the Regulations made thereunder; and

IN THE MATTER OF an application by Murphy Oil Company Ltd. for a Certificate of Public Convenience and Necessity, pursuant to Part III of the said Act, and for relief from Sections 44(c), 50, 51, 53 and 54 of the Act, filed with the Board under File No. 1 755-M23-5.

HEARD at Calgary, Alberta on 5, 6, 7 and 8 February 1985

BEFORE:

A.B. Gilmour	Presiding Member
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R.F. Brooks	Member
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J.L. Trudel	Member
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APPEARANCES:

J.R. Smith, Q.C.	Murphy Oil Company Ltd.
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K.F. Miller	Bow River Pipe Lines Ltd.
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F.M. Saville, Q.C.	Farmers Union Central Exchange - CENEX
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R. Perrin C. Keck	Home Oil Company Limited
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A.N. Boyse	Oakwood Petroleums Ltd.
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P. Murray	PanCanadian Petroleum Limited
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S.K. Fraser D. Assh	National Energy Board
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Introduction

On 10 December 1984, Murphy Oil Company Ltd. applied to the Board for a certificate of public convenience and necessity under Part III of the Act. This application was considered by the Board in a public hearing in Calgary on 5, 6, 7 and 8 February 1985. In view of the concern expressed, during the course of the hearing, about the importance of having an early disposition of the application, the Board issued its decision on 25 February 1985; a copy is attached to these Reasons as Appendix IV. The following constitutes the Board's Reasons for Decision on this application.

Executive Summary

(Note: This summary is provided solely for the convenience of the reader and does not constitute part of these Decisions or the Reasons for them.)

Murphy Oil applied to the Board for a certificate to construct and operate a 45 km long 219.1 mm O.D. pipeline and associated facilities. The pipeline would connect a proposed truck terminal near Wrentham, Alberta with Murphy's existing pipeline at Milk River, Alberta and would carry Alberta heavy crude oil to refineries in Montana. The estimated cost of the proposed facilities was \$4,995,000.

Bow River Pipeline Ltd. indicated that it had before the AERCB a competing proposal which entailed the reversal of the southern portion of the Bow River gathering system to feed a proposed 27.9 km pipeline from Chin Coulee to connect with the Home Oil Manyberries pipeline, near Legend, Alberta. The Home Oil Manyberries pipeline, in turn, is connected to the existing Murphy Oil station at Milk River. Bow River contended that its proposal was more economical than Murphy Oil's.

During the course of the hearing, Murphy Oil amended its application to include a 4.5 km 168.3 mm O.D. extension from Wrentham to tie in with the Bow River system. This amendment contemplated the reversal of the southern portion of the Bow River gathering system to feed the Murphy Oil extension.

In its decision, the Board found that the Murphy Oil proposal would provide a more economical method of transporting heavy crude oil to the Montana market than the current method which requires extensive trucking. The Board stated it was satisfied that the alternative transportation schemes did not provide any significant advantage over the Murphy Oil proposal. Accordingly, the Board was prepared to issue a certificate authorizing the applied-for facilities. The Board noted, however, that the reversal of the Bow River system was a matter within the jurisdiction of the AERCB. Accordingly, the portion of the certificate dealing with the Murphy 4.5 km extension would come into force only if the AERCB approved the necessary tie-in facilities on the Bow River system and the associated reversal of the Bow River system.

Chapter 1

The Application

On 10 December 1984, Murphy Oil Company Ltd. applied to the Board for a certificate of public convenience and necessity under Part III of the Act, for the construction and operation of a crude oil pipeline from Wrentham, Alberta to connect to its existing pipeline at Milk River, Alberta (see Appendix 1). The proposed 219.1 mm O.D. pipeline would be 45 km in length, connecting a proposed pump station and truck terminal at Wrentham to an existing pump station at Milk River. The application also sought authorization for modifications to the Milk River station. The cost of the applied-for facilities, together with \$375,000 for the Wrentham truck terminal, was estimated to be \$4,995,000 in 1985 dollars.

The applied-for facilities would be constructed to export Bow River heavy crude oil to CENEX refineries in Montana. An application by Dome Petroleum Limited for a 2-year licence to export crude oil to CENEX was under consideration by another panel of the Board at the time of the hearing on the Murphy facilities application.

The Applicant also requested relief from Section 44(c) of the Act respecting confirmation of the economic feasibility of the proposed facilities, Section 50 of the Act respecting regulation of tolls and tariffs, Section 51 of the Act respecting approval of all tariffs and Sections 53 and 54 of the Act respecting disallowance or suspension of tariffs by the Board.

With respect to the requested relief from Section 44(c), requiring the Applicant to demonstrate the economic feasibility of the proposed pipeline, the Board indicated, by letter dated 11 January 1985, that it is not empowered to grant relief from the requirements of Section 44. The Board also indicated that the economic feasibility of the Applicant's project was relevant and would be examined at the public hearing.

The application was heard at Calgary, Alberta on 5, 6, 7 and 8 February 1985.

During the course of the hearing, Murphy amended its application, with the Board's leave, to extend the facilities from Wrentham to the proposed tie-in with the Bow River Pipelines Ltd. system. The amendment sought authorization for a 4.5 km long 168.3 mm O.D. extension to connect the Wrentham pump station to the Bow River system and a scaled-down truck terminal at Wrentham. The estimated cost of the facilities in the amended application remains unchanged at \$4,995,000. The new proposal by Murphy contemplates the reversal of the southern portion of the Bow River gathering system, a matter which is within the jurisdiction of AERCB.

Chapter 2

Interventions

There were several interventions in respect of Murphy's application.

By way of a letter dated 10 January 1985, Bow River notified the Board that it proposed to implement a competing scheme to transport heavy crude oil from Alberta into the existing Murphy system at Milk River, Alberta for delivery to the Montana market. In that regard, Bow River had filed an application with the AERCB. The Bow River proposal entails a reversal of the southern portion of the Bow River gathering system to feed a proposed 27.9 km long 219.1 mm O.D. pipeline from Chin Coulee to connect to the Home Oil Manyberries pipeline, near Legend, Alberta. The Home Oil Manyberries pipeline, in turn, is connected to the existing Murphy system at Milk River. (See Appendix 1)

The proposal would require the construction of a pump station on the Bow River system to effect the flow reversal, and two pump stations to be built by Home Oil on the Manyberries line. One of these two pump stations would be located at Legend and the other at some intermediate point between Legend and Milk River. Furthermore, some additional horsepower would be required at the Murphy Milk River pump station.

Bow River requested the Board to examine the economic feasibility of the Murphy project and its effect on the public interest as compared with the proposal of Bow River.

By telex, dated 21 January 1985, the Board indicated it was of the view that it would be useful to examine the feasibility of the Bow River proposal in comparison with the Murphy application.

CENEX, a Montana refiner, provided evidence concerning its requirements for Bow River crude oil and the potential requirements of other Montana refineries. It described the expanded facilities it plans to construct to receive the crude oil at the U.S. border. CENEX indicated it favoured the proposal which is most economical, efficient and timely.

Oakwood, a producer of Bow River crude oil, testified that it supported the idea of a pipeline to the Montana market to provide ready access to additional markets. Oakwood favours a timely completion at the least possible cost.

PanCanadian expressed its concern that a tie-in of the Murphy pipeline to the Bow River system and the associated reversal of the Bow River system could significantly affect the suitability for asphalt production of the Bow River stream flowing north. PanCanadian suggested that the Board issue a certificate conditional upon the satisfactory results of a study to determine the impact of the reversal upon the Bow River stream flowing north.

Home Oil also took part in the hearing.

Chapter 3

Crude Oil Supply

The Applicant proposes to move by pipeline approximately 1900 m³/day of heavy crude oil produced from fields in the Taber and Wrentham areas of southeastern Alberta to the CENEX refinery in Laurel, Montana.

Heavy crude oil production from southeastern Alberta exceeds 10 000 m³/day, of which some 80 percent is currently shipped to eastern refineries via the Bow River and the Interprovincial Pipe Line Limited systems. The remaining volume is trucked to Pincher Creek for onward shipment by pipeline, or is trucked directly south to Montana.

Remaining established reserves of Bow River crude oil are approximately 29 million cubic metres, about eight times the current annual production. Significant exploration and development is taking place in the area to maintain or increase the productive capacity and replace produced volumes.

Given that Canada has a large resource base of heavy crude oil, and considering that the volume of crude oil to be exported to Montana represents only about one-third of the 1984 crude oil production from fields proximate to the southern portion of the Bow River pipeline, the Board is satisfied that an adequate heavy crude oil supply is available in this area to meet the requirements of the proposed pipeline system.

Murphy's amended application would entail reversal of the southern portion of the Bow River pipeline and its connection to the proposed Wrentham to Milk River pipeline. PanCanadian raised a concern that reversal of the Bow River pipeline might adversely affect the quality of crude being delivered from this area to eastern refineries. Highly asphaltic crude oil currently produced in the area serviced by the southern portion of the Bow River pipeline would move south to Montana rather than north to the Interprovincial Pipe Line Limited system for subsequent delivery to eastern refineries. Petro-Canada Inc., although they were not a registered intervener, sent a telex to the Board expressing a similar view.

In the Board's view, the evidence presented at the hearing did not fully set forth the nature and extent of the problem about which the PanCanadian and Petro-Canada expressed concern. The Board notes, however, that the reversal of the Bow River pipeline system is a matter under the jurisdiction of the AERCB. Accordingly, any certificate which might be issued would provide that the portion of the certificate relating to the facilities extending from the Wrentham pump station to the proposed tie-in with the Bow River system would come into force only if the AERCB approved the necessary tie-in facilities on the Bow River system and the associated reversal of the Bow River system, as described by Murphy in the hearing.

Chapter 4

Market Areas to be Served

The Applicant stated that domestic demand for crude oil produced in southern Alberta had declined over the past years causing production to be shut in; accordingly a market in Montana has been developed. At the time of the hearing, there was an application before another panel of the Board for a licence to export approximately 1900 m³/day of heavy crude oil to CENEX over a two-year term commencing 1 July 1985. Murphy stated that apart from CENEX, additional demand for heavy crude oil exists in Montana from other refiners and that the proposed pipeline would have spare capacity to accommodate some of this additional demand, CENEX confirmed this in its testimony.

The Board believes that the Montana area provides diversification from the traditional U.S. Midwest market for heavy crude oil; furthermore, the Board believes that the Montana market is adequate to support construction of the proposed pipeline.

Chapter 5

Facilities

5.1 Pipeline Design

The Applicant stated that the pipeline system was designed to meet the following criteria: ability to move an average volume of 1900 m³/day with sufficient flexibility to move higher or lower volume as the situation demanded; a minimal requirement, if any, for condensate; and some reserve capacity to allow for any needed expansion in future years.

The Applicant stated that the pipeline would have a capacity of 4850 m³/day and 4520 m³/day from Wrentham to Milk River based upon oil viscosities of 100 cS and 200 cS, respectively. However, the pumping unit proposed for Wrentham would have a rated capacity of only 2100 m³/day. This would be sufficient to meet flows of 1900 m³/day anticipated for the first two years. For higher flows, additional pumping facilities would be required.

The Applicant stated that the capacity of the pipeline from Milk River to the U.S. border would be 3600 m³/day and 2950 m³/day based upon oil viscosities of 100 cS and 200 cS, respectively.

The amended Murphy application called for a 4.5 km long 168.3 mm O.D. extension from Wrentham to tie into the Bow River system. The capacity of this section would depend upon the facilities built by Bow River.

The amended application also sought authorization for 1600 m³ of storage at Wrentham and a 3200 m³ blending tank at Milk River. The Applicant stated that it proposed to install facilities at Milk River to blend Bow River heavy crude oil and Manyberries light crude oil for transmission south from Milk River. If batching is required at some future date, additional pumping facilities would be required.

The Board is of the view that the design of the applied-for facilities is acceptable.

5.2 Economic Feasibility

Murphy estimated the capital cost of the applied-for facilities, together with the scaled-down truck terminal, to be \$4,995,000. It also indicated that there would have to be some pipe replacements and rerating required on its existing system at an estimated cost of approximately \$130,000. Bow River would also incur costs related to the reversal of its system to accommodate the Murphy tie-in. Although these costs had not been determined by Bow River, in the Board's view it would not be unreasonable to assume that these costs would be in the same order of magnitude as the estimated costs associated with the Bow River reversal and Fincastle and Chin Coulee station modifications as detailed in Bow River's proposal, namely \$211,600.

The annual operating and maintenance expenses for the Murphy system were estimated to be \$800,000. This estimate does not include any costs which may be involved in moving the crude from the battery to Wrentham.

Murphy estimated that the resulting tariff to transport the crude oil through the Murphy system from Wrentham to the U.S. border, based upon flows of 1908 m³/day and a payout period of 2.4 years, would be \$6.79 per m³. Assuming flows of 1272 m³/day after payout, that tariff would drop to \$3.52 per m³. CENEX indicated that it found Murphy's estimated tariffs acceptable.

Witnesses for Bow River testified that its proposal would involve capital expenditures in the order of \$4,120,000. This would result in a tariff from Chin Coulee to the U.S. border of \$6.26 per m³ before payout and \$5.03 per m³ after payout. These tariffs are based on a flow of 1908 m³/day and a payout period of 2.3 years. This does not include any tariffs associated with any trucking or gathering and transmission on the Bow River system upstream of Chin Coulee.

Murphy stated that in the short term (i.e. during the payout period) other alternatives might be more economical than its project. However, witnesses for Murphy felt that in the long term, its project was the most economical means of transporting crude to Montana.

Based upon the evidence provided, the Board is of the view that the total tariff from field battery to Cut Bank, Montana under the Murphy proposal would be significantly less than the estimated tariff of \$25.50 per m³ to transport crude via the existing system (through the Bow River system north to Tilley, trucked to Pincher Creek, and then through the Rangeland/Glacier pipeline system to Montana).

The Board finds that Murphy's proposed project would provide a more economical means of transporting Bow River crude to the Montana market than the current method.

The Board is satisfied that alternative transportation schemes do not provide significant economic advantage over the Applicant's project.

Chapter 6

Environmental and Land Matters

6.1 Environmental Matters

The Applicant testified that an environmental consultant is preparing an "Environmental Protection Plan" (EPP) detailing the measures to be employed to minimize environmental impacts. According to Murphy's witnesses, a qualified right-of-way inspector would be responsible for enforcing the implementation of the EPP and an environmental consultant would conduct periodic inspection of the right-of-way and be available to handle any technical problems.

The Applicant indicated that the crossings of Milk River, Verdigris Coulee and Etzikom Coulee would be scheduled to minimize disturbance to fisheries resources, irrigation pipelines and their water source.

Alberta Culture, in a letter to Murphy, expressed concern about the potential for impact on prehistoric archeological sites and palaeontological resources. Accordingly, Murphy has undertaken to prepare a Historical Resources Impact Assessment prior to construction.

The Board has considered the environmental evidence and is satisfied the proposed facilities could be constructed and operated in an environmentally acceptable manner, given the implementation of effective mitigative measures.

Any certificate which the Board might issue would contain certain conditions requiring Murphy to file a copy of the EPP, for Board approval, and a copy of the Historical Resources Impact Assessment for Board approval prior to commencement of pipeline construction. Murphy would also be required to monitor the condition of lands disturbed by pipeline construction for one full growing season following leave to open, and to report to the Board the results of that monitoring.

6.2 Land Matters

The Applicant stated that in selecting the general route, efforts were made to minimize the total length of the pipeline while accommodating sensitive areas. Murphy testified that most of the surrounding land is zoned for agriculture. The lands to the east of the town of Milk River are zoned as Urban Fringe. Both of these land-use zoning designations permit pipelines as an allowable use.

The Applicant also indicated that other agencies had been contacted to determine possible constraints and that no major land-use conflicts were anticipated.

In view of the evidence, the Board finds that the proposed general route and pump station site are satisfactory with respect to land matters. The Board notes that if a certificate were issued, additional landowner notification would take place in conjunction with the detailed routing procedure required under section 29.1 of the Act.

Chapter 7

Financial and Toll Regulation Matters

7.1 Financial Matters

The Applicant indicated that the cost of the proposed facilities would be financed by Murphy and a provision for those funds was included in Murphy's 1985 Capital Budget.

The Board is satisfied that the costs of the proposed facilities are reasonable and that Murphy can finance the cost of the applied-for facilities.

7.2 Toll Regulation Matters

The Applicant applied for relief from the requirements of Sections 50, 51, 53 and 54 of Part IV of the *National Energy Board Act*. With respect to subsection 51(1), the Company indicated its willingness to file tariffs; however, it stated it would prefer to submit information supporting the derivation of those tariffs only when an unresolved objection was filed with the Board. The Company requested relief from the routine reporting requirements for financial information and the substantiation of tariffs under normal circumstances.

By letter dated 23 January 1985 sent to all interested parties, including the Applicant, the Board proposed a new approach to the regulation of tolls and tariffs of small pipelines. Schedule C of that letter is attached to these Reasons for Decision as Appendix III. Under this new approach, tolls would essentially be regulated on a complaint basis. In addition, it was proposed that certain of the Board's regulations would be amended to exempt small pipelines from the requirement to keep their accounts in a specified manner and to provide certain financial information normally required of larger pipelines. The Applicant indicated in testimony that this proposed method of regulation would be acceptable to Murphy.

With respect to Murphy's request for relief from those sections of the Act enumerated above, the Board questions whether it would have jurisdiction to grant Murphy the relief requested. In any event, the Board does not consider that such a request for relief is appropriate in the circumstances. The Board is of the view that the method of regulating tolls and tariffs pursuant to Part IV of the Act on a complaint basis, as outlined in the Board's letter, would be the appropriate method to use.

Chapter 8

Disposition

Having regard to the foregoing considerations, findings, and conclusions, and having taken into account all matters that appear to it to be relevant, the Board, being satisfied that the pipeline facilities as applied for by Murphy in its amended application are and will be required by the present and future public convenience and necessity, is prepared to issue to Murphy a certificate of public convenience and necessity in respect of the applied-for facilities, upon the terms and conditions set out in Appendix 11, subject to the approval of the Governor in Council. As mentioned in Chapter 3 of these Reasons for Decision, that portion of the Certificate relating to the facilities extending from Wrentham to the proposed tie-in with the Bow River Pipeline system, namely the 4.5 kilometre extension, shall come into force only if the Alberta Energy Resources Conservation Board approves the necessary tie-in facilities on the Bow River system and the associated reversal of the Bow River system, as described by Murphy in the public hearing.

For the reasons set forth in Chapter 7, Murphy's request for relief from the provisions of section 50, 51, 53 and 54 of the Act is denied. The Board is of the opinion that Murphy's tolls and tariffs should be regulated by the method set out in the Board's 23 January 1985 letter and Murphy is, therefore, directed to comply with the filing requirements as specified in Schedule C of that letter.

The foregoing constitute the Board's Reasons for Decision on Murphy's application.

Mr. A.B. Gilmour
Presiding Member

Mr. R.F. Brooks
Member

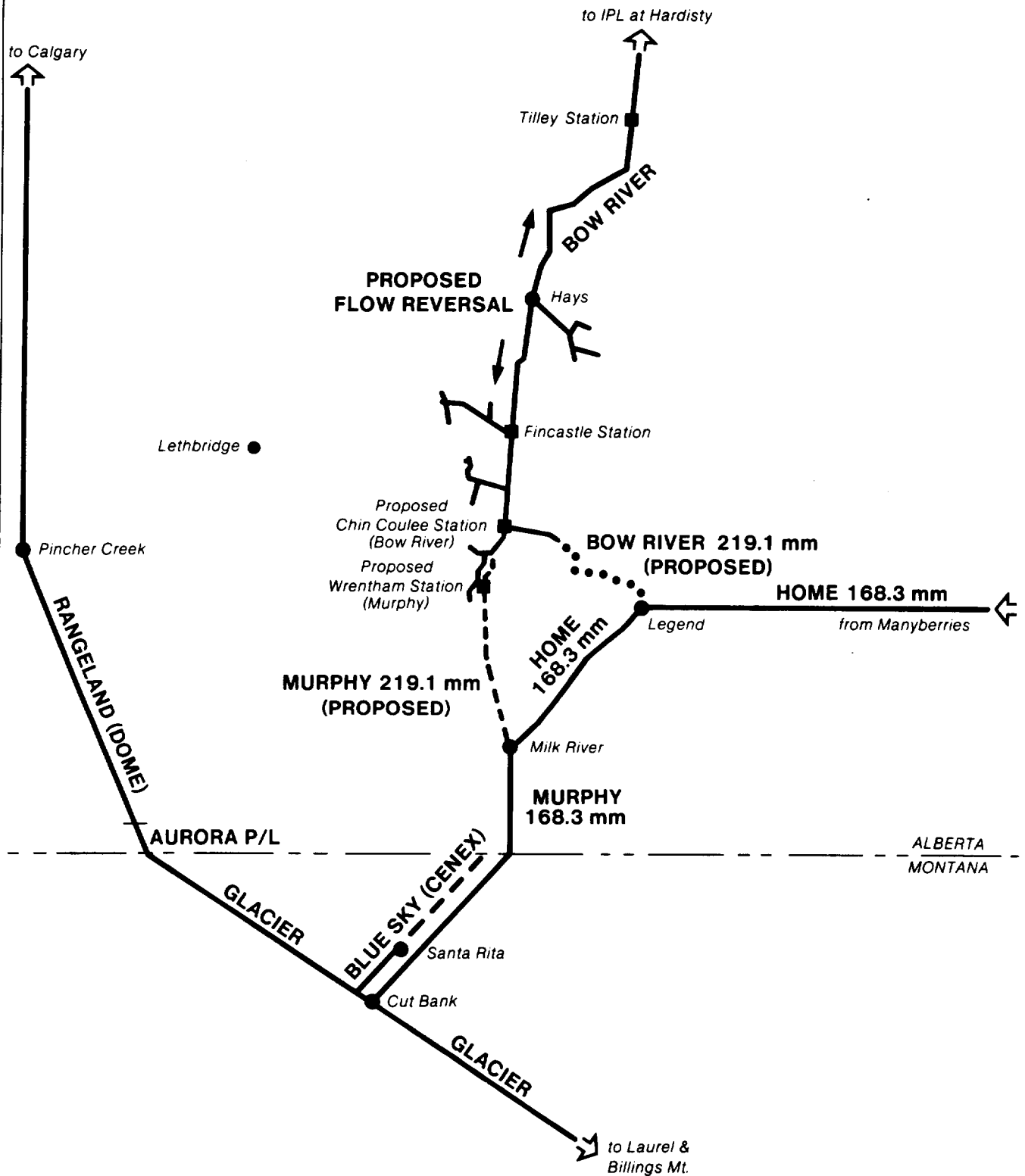
Mr. J.L. Trudel
Member

Appendix I

Route Map

Figure a1-1 Pipeline Proposals

PIPELINE PROPOSALS



Appendix II

Terms and Conditions of Certificate

Terms and Conditions

1. The pipeline facilities in respect of which this Certificate is issued shall be the property of and shall be operated by Murphy.
2. That portion of this Certificate, authorizing the construction and operation of the facilities from Wrentham to the proposed tie-in with the Bow River Pipe Lines Ltd. system, namely the 4.5 kilometre extension, shall come into force only if the Alberta Energy Resources Conservation Board approves the necessary tie-in facilities on the Bow River system and the associated reversal of the Bow River system as described by Murphy in the public hearing.
3. (1) Murphy shall, unless otherwise authorized or ordered by the Board, cause the additional facilities to be designed, manufactured, located, constructed and installed in accordance with those specifications, drawings and other information or data set forth in the application, or as otherwise adduced in evidence before the Board or approved pursuant to these Terms and Conditions, except as varied in accordance with subcondition (2) hereof.

(2) Murphy shall cause no variation to be made to the specifications, drawings, or other information or data referred to in subcondition (1) without the prior approval of the Board.
4. Murphy shall commence construction of the pipeline facilities by 1 August 1985 unless, upon application by Murphy, a later date is set by the Board.
5. Murphy shall, unless otherwise authorized or ordered by the Board, implement or cause to be implemented all of the policies, practices, recommendations and procedures for the protection of farmlands and the environment included in the application, the Environmental Protection Plan, or approved pursuant to these Terms and Conditions, and shall not cause or permit any change to the said policies, practices, recommendations and procedures without the prior approval of the Board.
6. Murphy shall submit for approval, a monitoring report which shall describe those effects noted during the monitoring program and the actions taken or which will be taken to prevent any long-term effects of construction upon the environment. That report shall be filed by December 31, following the first complete growing season after the pipeline commences operation, unless, upon application by Murphy, a later date is set by the Board.
7. Murphy shall, prior to commencement of construction, submit a copy of the Historical Resources Impact Assessment for Board approval.
8. Murphy shall, prior to the commencement of construction, file two complete sets of construction drawings.

9. Murphy shall, prior to the commencement of construction, file a copy of the Environmental Protection Plan for Board approval.

Appendix III

Schedule "C" of NEB letter to interested parties entitled "National Energy Board: Approach to the Regulation of Tolls and Tariffs of Small Pipelines" dated 23 January 1985

National Energy Board: Approach to the Regulation of Tolls and Tariffs of Small Pipelines*

Tolls and Tariffs

For small pipelines, the Board intends to regulate tolls and tariffs pursuant to Part IV of the *National Energy Board Act* on a complaint basis.

- Companies shall only charge tolls that are specified in a tariff that has been filed with the Board and is in effect.
- Companies shall provide copies of the tariff to shippers and interested parties concurrently with filing with the Board.
- Upon receipt of a written complaint, or other application under Part IV of the NEB Act, the Board will consider making the toll interim, pending further review.
- The Board on its own initiative may review a toll and request such additional information as it may require.

Under the regulation by complaint approach, small pipeline companies normally will not be required to provide the detailed toll and financial information specified in the existing Parts V and VII of the Schedule to the Board's Rules of Practice and Procedure. If, however, a complaint is received, or the Board decides on its own initiative to examine the tariff, the Board may require some or all of the information identified in Parts V and VII. Given that the pipeline companies maintain effective communications with their shippers and interested parties, and provide sufficient notice of pending changes to tariffs, the Board expects that the number of complaints will be minimized.

Financial Reporting

The Board normally will not require small pipeline companies to provide any financial information for the purpose of monitoring construction costs or tolls. The small pipelines will be exempted from the new Construction Cost and Toll Reporting Regulations when these are implemented to replace the existing Toll Information Regulations.

* Small pipelines currently regulated by the Board are listed in Schedule A.

Standard Code of Accounts

Steps are being taken to amend the NEB's Uniform Accounting Regulations to exempt small pipelines from the requirement to keep a standard code of accounts as prescribed in the regulations. The Board will require only that small pipeline companies keep a separate book of accounts in Canada in accordance with generally accepted accounting principles.

Appendix IV

NEB Letter dated 25 February 1985

NATIONAL ENERGY BOARD
OTTAWA, K1A 0E5

OFFICE NATIONAL DE L'ÉNERGIE
OTTAWA, K1A 0E5

File No.: 1755-M23-5

25 February 1985

TO ALL PARTIES OF RECORD - BOARD ORDER NO. 0H-1-84-MURPHY OIL COMPANY LTD.
APPLICATION

Pursuant to Board Order No. 0H-1-84, the Board held a public hearing from 5 February 1985 to 8 February 1985 to consider the application of Murphy Oil Company Ltd. for a Certificate of Public Convenience and Necessity under Part III of the *National Energy Board Act* authorizing the construction and operation of facilities to connect to its existing pipeline at Milk River, Alberta.

After having considered all of the evidence adduced at the hearing and the arguments and submissions made by all parties, the Board is satisfied that the pipeline facilities requested by Murphy in its amended application are and will be required by the present and future public convenience and necessity. Accordingly, the Board is prepared, subject to the approval of the Governor in Council, to issue to Murphy a Certificate of Public Convenience and Necessity in respect of those facilities, upon certain terms and conditions.

In arriving at its decision, the Board has taken into consideration, *inter alia*, the concerns expressed by Pan-Canadian in its letter dated 21 February 1985. The matter of the effect on the quality of the Bow River crude oil stream is linked to the reversal of the Bow River Pipe Lines Ltd. system, a matter which is under the jurisdiction of the Alberta authorities.

Accordingly, the Board has decided that the portion of the certificate relating to the facilities extending from Wrentham to the proposed tie-in with the Bow River pipeline system, namely the 4.5 kilometre extension, shall come into force only if the Alberta Energy Resources Conservation Board approves the necessary tie-in facilities on the Bow River system and the associated reversal of the Bow River system, as described by Murphy in the public hearing.

In its application, Murphy also requested relief from certain sections of the *National Energy Board Act*, namely, section 44(c), section 50, section 51, section 53, and section 54. With respect to section 44(c) of the Act, the Board advised Murphy by letter dated 11 January 1985 that the Board is not empowered to grant relief from the requirements of section 44 and requested Murphy to provide information on the economic feasibility of the proposed facilities. It is, therefore, not necessary in this decision to deal further with Murphy's request for relief from the requirements of section 44(c). With respect to the remaining sections of the *National Energy Board Act* enumerated above, the Board questions whether it has the jurisdiction to grant Murphy the relief requested. Notwithstanding this, the Board does not consider that such a request for relief is appropriate in the circumstances. At the public hearing, Murphy indicated that the proposed approach to the regulation of tolls and tariffs of

small pipelines as set out in Schedule C to the Board's letter to interested parties dated 23 January 1985, filed as Exhibit A-6 in the proceedings, would be acceptable to the company. The Board is of the view that this method of regulating tolls and tariffs pursuant to Part IV of the *National Energy Board Act* on a complaint basis as outlined in the Board's letter, is the appropriate method to use and, accordingly, Murphy's request for relief from sections 50, 51, 53 and 54 is denied.

The above constitutes the Board's decision on the application of Murphy Oil Company Ltd. The Board's Reasons for Decision will follow shortly.

Yours truly,

G. Yorke Slader,
Secretary