

**NATIONAL ENERGY BOARD
HEARING ORDER MH-002-2012**

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

AND IN THE MATTER OF Section 1.58 of the Trans Mountain Pipeline ULC
Petroleum Tariff – Rules and Regulations Governing the Transportation of
Petroleum, No. 88;

AND IN THE MATTER OF an application by Chevron Canada Limited for an
order designating Chevron Canada Limited's Burnaby Refinery as a Priority
Destination on the Pipeline system of Trans Mountain Pipeline.

**INFORMATION REQUESTS OF
Chevron Canada Limited (Chevron)**

to

Tesoro Canada Supply and Distribution Limited (Tesoro)

Date: January 10, 2013

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Question 1.

Reference Prepared Testimony of David K. Kirshner,

(i) paragraph A5(i);

(ii) paragraph A6;

(iii) paragraph A8.

Preamble (i) Tesoro asserts its “dependence” on Canadian crude oil.

(ii) A Tesoro affiliate company “owns and operates a refinery in Anacortes, WA which has a rated capacity of 120,000 bpd. ... since 1952, the Anacortes Refinery has been receiving substantial quantities of Canadian crude oil through the Trans Mountain pipeline.” A Tesoro affiliate company acquired the refinery in 1998.

(iii) “from 1996 through 2011, an average of approximately one-half of the total feedstocks of the Anacortes Refinery has consisted of crude oil that was transported to the refinery on the Trans Mountain pipeline. The quantity of Canadian crude oil that the Anacortes Refinery is currently running is somewhat less because of apportionment, but the amount is still substantial.”

Request (a) For each month from 1996 to the present, please provide the following information on a monthly basis:

(i) The volumes of Canadian crude Tesoro (or an affiliate company) have nominated and received via the TMPL/Puget Sound pipeline at its Anacortes Refinery;

(ii) The volumes of crude Tesoro has received from its ocean going vessels via its dock at the Anacortes Refinery. Please sub-differentiate by country/region of origin and type of crude oil;

(iii) The volumes of crude Tesoro has received at its Anacortes Refinery from sources other than via the TMPL/Puget Sound pipeline or its dock. To the extent possible, please sub-differentiate this category by distinct sources; and

(iv) The total volumes of crude Tesoro received at the Anacortes Refinery.

(b) Over the period 1996 - present, please explain the reason for changes, if any, in the extent to which Tesoro relied upon deliveries of Canadian crude for crude supply to its Anacortes Refinery.

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Question 2.

Reference Prepared Testimony of David K. Kirshner,

(i) paragraph A9;

(ii) paragraph A12.

Preamble (i) “Tesoro certainly obtains crude oil from other sources”

(ii) “Tesoro has been using the dock at its Anacortes Refinery to receive crude oil supplies from ocean-going vessels. This supply has come from both the Alaska North Slope as well as foreign sources.”

Request (a) Please identify all “other sources” (other than the pipeline) from which Tesoro obtains crude oil.

(b) Please identify all foreign sources mentioned in the quoted passage from (ii) above.

(c) Please confirm that the dock at its Anacortes Refinery has been able to receive crude oil supplies from ocean-going vessels since Tesoro acquired the refinery in 1998.

(d) Please identify the volume of crude that Tesoro is currently physically capable of receiving on a monthly basis via its deepwater dock and identify any material change to that capability over the period 1998 - 2012.

(e) Please identify and fully describe any limitations on Tesoro’s current capacity to receive crude via its deepwater dock and identify any material change to that capability over the period 1998 - 2012.

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| Question | 3. |
| Reference | <p>(i) Prepared Testimony of David K. Kirshner, paragraph A12;</p> <p>(ii) Platts Canada report of November 1, 2012</p> |
| Preamble | <p>(i) “Tesoro has constructed a rail facility so that it can receive crude oil from the Bakken area of North Dakota.”</p> <p>(ii) Platts Canada reported on or about November 1, 2012:</p> <p><i>“Tesoro expects deliveries of Bakken crude oil to its 120,000 b/d refinery in Anacortes, Washington, to reach 40,000 b/d in the fourth quarter, a Tesoro official said Thursday.</i></p> <p><i>The refinery will "ramp up in the fourth quarter to 40,000 b/d" with Bakken crude, the official said on a third quarter earnings call.</i></p> <p><i>...Tesoro's facility is permitted to accept 50,000 b/d of Bakken oil at Anacortes. Company CFO Scott Spendlove said last quarter that the company expected to initially start with 30,000 b/d of Bakken crude.”</i></p> |
| Request | <p>(a) Please identify the volume of crude that Tesoro is currently capable of receiving via its rail facility and identify and fully describe any limitations on that capability.</p> <p>(b) Please identify if any change is anticipated over the next 6 years to the volume of crude that Tesoro is capable of receiving via its rail facility.</p> <p>(c) Please confirm whether the statements and quotes attributed to Tesoro officials by Platts Canada in reference (ii) are accurate. If not confirmed, please identify any inaccuracies and provide correct information.</p> <p>(d) Please describe the nature of any limitations on Tesoro’s ability to add additional capacity to receive crude oil deliveries by rail.</p> |

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Question 4.

Reference (i) Prepared Testimony of David K. Kirshner, paragraph A12;

(i) Tesoro Analyst and Investor Presentation, Wednesday, December 12, 2012 <http://phx.corporate-ir.net/phoenix.zhtml?c=79122&p=irol-calendarPast> slide 13 entitled “Operational Efficiency and Effectiveness”

Preamble (i) “Tesoro has constructed a rail facility so that it can receive crude oil from the Bakken area of North Dakota.”

(ii) Tesoro has discussed its rail facilities in investor presentations.

Request (a) Please state the expected payback period (in number of years) on Tesoro’s investments for the rail facility at the Anacortes Refinery; and please state the expected rate of return (IRR) or discounted net present value of the investment.

(b) Please confirm that the facilities constructed by Tesoro have been sold to Tesoro Logistics. Please identify the realized return on Tesoro’s investment given the sale to Tesoro Logistics.

(c) Please confirm whether (as indicated in slide 13) the project IRR is 220%. If incorrect, please provide correct information.

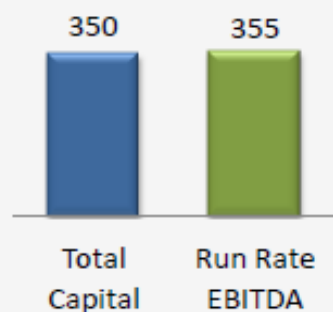
(d) Please confirm whether the Bakken Crude Oil Supply to Anacortes project was one of the projects (as referenced in slide 13) that was “executed on schedule [with] returns exceeding expectations.”

Operational Efficiency & Effectiveness

Large Capital Program



Five Capital Projects
\$ in millions



Bakken Crude Oil Supply to Anacortes

Capital: \$60 million
Annual EBITDA: \$160-180 million
Project IRR: 220%
Completed in September 2012

Salt Lake City Conversion Project

Capital: \$180 million
Annual EBITDA: \$100 million
Project IRR: 40%
Estimated Completion: 2013 & 2014

Wilmington Yield Improvement

Capital: \$40 million
Annual EBITDA: \$20-25 million
Project IRR: 40%
Completed in November 2012

Mandan Refinery Expansion

Capital: \$35 million
Annual EBITDA: \$45-55 million
Project IRR: 65%
Completed in June 2012

Mandan DDU Expansion

Capital: \$35 million
Annual EBITDA: \$10-12 million
Project IRR: 20%
Estimated Completion: 2Q 2013

Projects executed on schedule - returns exceeding expectations

Note: Project EBITDA represents annual run-rate estimate calculated consistent with Tesoro market outlook.

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Question 5.

Reference (i) Prepared Testimony of David K. Kirshner, paragraph A12;

(ii) Tesoro Analyst and Investor Presentation, Wednesday, December 12, 2012 <http://phx.corporate-ir.net/phoenix.zhtml?c=79122&p=irol-calendarPast> slide 51 entitled “Commercial Excellence”;

Preamble (i) “Tesoro has constructed a rail facility so that it can receive crude oil from the Bakken area of North Dakota.”

(ii) Tesoro has discussed its rail facilities in investor presentations.

Request (a) Please confirm (as indicated in slide 51) that the rail cost from the Bakken to the Anacortes Refinery is \$9.75/bbl. If not confirmed, please provide correct information. Please confirm that the quoted rail cost is in US Dollars.

(b) Please identify whether the quoted rates provided in response to subpart (a) includes (i) trucking or transport to the rail loading facility, (ii) loading onto rail cars, (iii) freight rate for moving the rail cars to the Anacortes Refinery; (iv) unloading the rail cars at the Anacortes Refinery; (v) rail car lease costs; (vi) management, administration or overhead costs incurred by Tesoro. If any of these costs are not included in the quoted rate, please identify and quantify these costs.

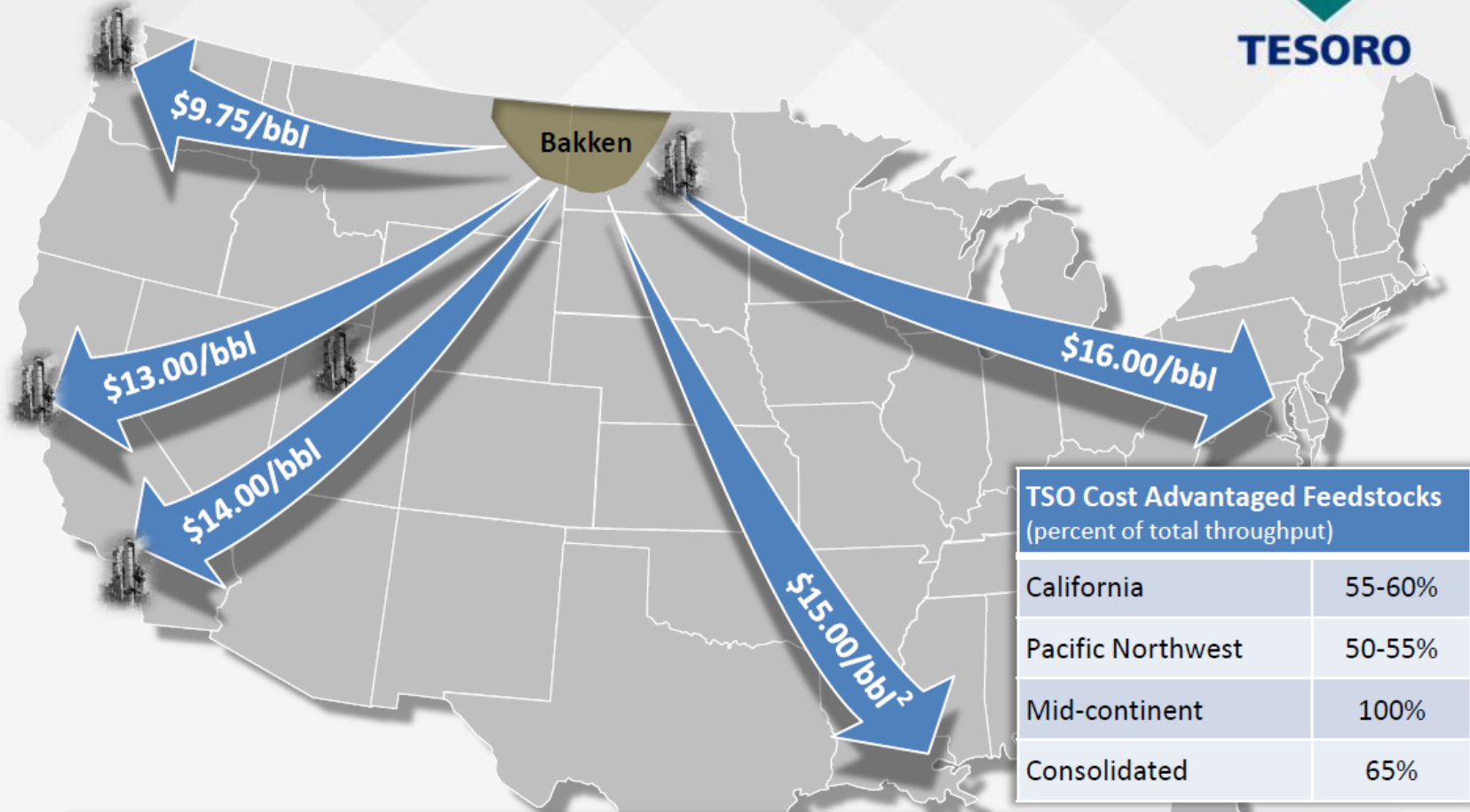
(c) Please confirm that (as indicated in footnote of reference (ii)) the “Rail cost estimates to Anacortes [is] based on Tesoro negotiated rates.” If not confirmed, please provide correct information.

(d) Please confirm that, in negotiating these rates, both Tesoro and the railway company assumed Tesoro would be moving unit trains of rail cars. If not confirmed, please provide correct information.

(e) Please confirm that Tesoro only ships crude to its Anacortes Refinery in unit trains (and does not ship crude oil to its Anacortes Refinery using manifest cars). If not confirmed, please provide correct information including percentage of shipments by unit train and percentage using manifest cars.

Commercial Excellence

Rail Cost from the Bakken¹



West Coast logical destination for Mid-Continent barrels

(1) Rail cost estimates to Anacortes based on Tesoro negotiated rates. Estimates to other regions based on publicly available information and include rail tariff, loading and unloading costs, rail car lease cost and barge costs where applicable. Excludes trucking and gathering costs.

(2) Rail cost to the U.S. Gulf Coast includes approximately \$2.40/bbl related to feedstock advantage sharing arrangement with facility providers.

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- Question 6.
- Reference (i) Prepared Testimony of David K. Kirshner, paragraph A5(iv); and
- (ii) Board Ruling No. 3 dated 15 November 2012 in response to Motions from Tesoro and others for Full and Adequate Responses to Information Requests
- Preamble (i) Tesoro's evidence states: "...the basis that Chevron has offered for seeking a priority destination for its Burnaby refinery applies equally to the Tesoro Anacortes Refinery..."
- Additional information is required to test Tesoro's assertion that the basis for seeking a priority destination for Chevron's Burnaby refinery "applies equally to the Tesoro Anacortes Refinery."
- (ii) In Ruling No. 3, the Board stated: "The Board finds that the demonstration of Chevron's financial circumstances is potentially relevant ... and is therefore an appropriate area of inquiry through IRs. It would be premature for the Board to rule that evidence regarding profitability should be precluded from this proceeding."
- Chevron's financial circumstances cannot be evaluated in isolation given that many of the factors influencing the Burnaby Refinery's profitability (such as the lower price of Canadian or mid-continent crudes) also influence the profitability of other refineries such as the Tesoro Anacortes Refinery.
- Request (a) For each month of the past three years, please state the average cost of the crude oil Tesoro obtained on the Trans Mountain pipeline by type;
- (b) With respect to each refined petroleum product that Tesoro produced during the past three years, please provide a schedule that specifies on a monthly average basis:
- (i) the total quantity of each petroleum product Tesoro produced; and
- (ii) the specific market in which Tesoro sold each such product and the amount of product sold in that market.
- (c) Please provide any studies, reports or analyses that assess the impact on the Anacortes Refinery's operating profits of not being able to obtain supplies of Canadian crude and having to obtain additional crude oil supplies from alternate sources.
- (d) Under what foreseeable circumstances would the Anacortes Refinery be

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unable to obtain alternate supply of crude oil if it was not able to receive crude from the TMPL/Puget Sound pipeline?

- (e) Please provide financial statements (including balance sheets, and income and profit and loss statements) for the Anacortes Refinery for each of the last 10 years.
- (f) Please produce key background documents, reports and studies in Tesoro's possession that were produced after 2005 that refer to or relate to the economic viability of the Anacortes Refinery, including those documents, reports or studies that discuss:
 - (i) The extent to which the possible reduction in refinery runs and/or the purchase of petroleum products from third parties could impact the economic viability of the Anacortes Refinery;
 - (ii) The profitability of the Anacortes Refinery for the years 2006 to 2012;
 - (iii) The anticipated profitability of the Anacortes Refinery in the future; and
 - (iv) The level of profitability that Tesoro expects or requires the Anacortes Refinery to achieve.
- (g) Has Tesoro performed any analysis of the impact on its profitability of awarding priority destination designation to the Burnaby Refinery on the terms proposed in this Application? If so, please produce any written documentation containing or describing this analysis or, if no such documentation is available, describe the analysis.

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Question 7.

Reference Written Evidence of Mr. Horace O. Hobbs, paragraph A3 –A7.

Preamble These paragraphs outline Mr. Hobbs experience as it relates to the focus of his testimony.

Request

- (a) Has Mr. Hobbs previously sponsored testimony relating to the financial impact of feedstock costs on refinery economics? If so, please identify the date the evidence was filed, the forum in which it was filed and provide a copy of the evidence.
- (b) Has Mr. Hobbs previously sponsored testimony analysing competitive conditions in retail markets for refined petroleum products. If so, please identify the date the evidence was filed, the forum in which it was filed and a provide copy of the evidence.
- (c) Has Mr. Hobbs previously sponsored testimony relating to the capital and operating costs associated with expanding an operating refinery's capacity to receive and process a broader range of crude oil than it was originally designed to process? If so, please identify the date the evidence was filed, the forum in which it was filed and a provide copy of the evidence.
- (d) Has Mr. Hobbs previously sponsored testimony analysing the relative financial performance or economic viability of competing oil refineries? If so, please identify the date the evidence was filed, the forum in which it was filed and provide a copy of the evidence.

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Question 8.

Reference Written Evidence of Mr. Horace O. Hobbs, paragraph A2.

Preamble “According to the Energy Information Administration (EIA) of the US Department of Energy, in 2011, TRMC ran 49,380 bpd of Canadian crude oil. I understand that all of this crude oil was transported to Anacortes, Washington from Edmonton on the pipeline operated by Trans Mountain ULC (Trans Mountain).”

Request

- (a) Did Mr. Hobbs assume that all Canadian crude oil run by TRMC in the United States was received at the Anacortes Refinery?
- (b) Please identify the specific data source for the Energy Information Administration numbers cited for 2011.
- (c) Please produce the corresponding Energy Information Administration numbers showing the volume of Canadian crude oil that Tesoro Refining and Marketing Company (TRMC) transported to Anacortes, Washington from Edmonton on the pipeline owned by Trans Mountain for the years that Tesoro has owned the refinery (1998 to 2012).

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Question 9.

Reference Written Evidence of Mr. Horace O. Hobbs, paragraph A9.

Preamble “Each of these refiners is currently experiencing curtailments which have significantly restricted its use of Canadian crude oil. Those curtailments have been experienced on a pro rata basis by all refiners and do not appear to have affected the relative competitive positions of any of the refiners.”

Mr. Hobbs comments on the current experience of each of the Vancouver and Puget Sound refiners with respect to the extent and impact of curtailment of supply of Canadian crude oil.

Request (a) Upon what information about each of the Puget Sound refiners did Mr. Hobbs base his statement concerning the degree to which actual deliveries from the TMPL pipeline to each Puget Sound Refinery were actually curtailed since November 2010, relative to deliveries prior to November 2010 and the effect those curtailments, if any, of those deliveries has had on the competitive position of each refinery? Please provide all information that is identified in this response.

(b) Has Mr. Hobbs made any forecast of the extent to which actual deliveries to each of the Puget Sound Refineries for the next 6 years will be below the level of deliveries prior to November 2010? If so, please explain the basis of the forecast and provide a copy of it on a refinery by refinery basis.

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Question 10.

Reference Written Evidence of Mr. Horace O. Hobbs, paragraph A28.

Preamble “Furthermore, I believe that we should recognize that the marginal crude oil on which the American Puget Sound refiners rely is crude oil delivered by ship.”

Request (a) Please provide a copy of any analysis Mr. Hobbs has undertaken of the incremental cost of supplemental crude oil available to each of the Puget Sound refineries by means other than the TMPL Pipeline or ship?

 (b) Assuming the reduction to each of the Puget Sound refiners resulting from allowing Chevron’s application were imposed equally on each Refinery, has Mr. Hobbs considered any means available to each refinery for increased delivery of mid-continent North American crudes?

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- Question 11.
- Reference Written Evidence of Mr. Horace O. Hobbs, paragraph A35.
- Preamble “My research has shown there are substantial flows of refined petroleum products between Seattle/Tacoma and Vancouver.”
- Request (a) Please identify and discuss the research undertaken to support this statement.
- (b) Please produce the original source data that this research was based on.
- (c) Please identify with particularity the volume of the “flows of refined petroleum products between Seattle/Tacoma and Vancouver” for the past 5 years.
- (d) Please produce the underlying source data used to develop the discussion of flows of refined petroleum products in paragraphs A36 and A37 of Mr. Hobbs Evidence. In particular, please produce the original source data used from which the information in Exhibit E was obtained.
- (e) The second table in Exhibit E is undated. Please confirm that the second table in Exhibit E contains “Monthly data for 2012”. If not confirmed, please provide correct information.
- (f) The second table in Exhibit E does not show any volumes for “2710191500 Kerosene-type Jet Fuel...” Please provide a revised table showing Jet Fuel numbers for the time period covered.