IR Number: P66-Husky No. 1.1

Category: Hearing Order No: AO-001-RH-005-2020

Topic: **Keystone's Transportation Service Agreements ("TSAs")**
Details of existing TSAs

Reference:

(i) Written Evidence of Keystone, Appendix D, Patoka TSA CDN 2009, PDF pages 85-107 of 135 (A7Q6W4).

(ii) Written Evidence of TransCanada Keystone Pipeline Limited Partnership, Filed 22 January 2021, PDF pages 7-13 of 135 (A7Q6W4).

Preamble

In Reference (i), PDF page 105 of 135, it is outlined that Keystone Canada is obligated, pursuant to paragraphs D.4 and D.5, to provide the Plaintiffs a Notice of Estimated Variable Tolls and Notice of Final Variable Tolls (collectively, the "Notices") for each year of the Initial Term. The Notice of Estimated Variable Tolls must, pursuant to paragraph D.4 of Appendix B of the Canadian TSA, be accompanied by "details of [Keystone Canada's] calculation and explanation for any adjustments from the previous applicable… Initial Term Variable Toll". Similarly, the Notice of Final Variable Tolls must, pursuant to paragraph D.5 of Appendix B of the Canadian TSA, be accompanied by "details of [Keystone Canada's] calculation and explanation for any adjustments from the… estimated Initial Term Variable Toll."

In Reference (ii), PDF pages 7 to 13 of 135, Keystone justifies its lack of information disclosure when submitting the annual Notices by stating "The TSA does not specify the level of information that Keystone is required to provide to Term Shippers in the notice."

Request:

(a) Please provide copies of all Notices, to date, for each year of the Initial Term.

(b) Please confirm whether, for the period January 1, 2016 to present, any documents pertaining to the TSAs or the components thereof (including variable rate components) were destroyed. If confirmed, provide the date(s) of destruction and particulars of the documents that were destroyed.

Response:

(a) Please refer to Attachment P66-Husky IR 1.1 for the 2020 and 2021 Estimated Variable Toll Notices. For years prior to 2020, the CER's process direction provided for in section 3.6 of Hearing Order AO-001-RH-005-2020 limits information requests to matters relevant to the evidence that has been placed on the record by Keystone or related to one or more of the issues identified. Given that Keystone's evidence and the issues identified by the CER are limited to the 2020 and 2021 Estimated Variable Tolls, the information requested for years prior to 2020 is not relevant to the issues set out in the proceeding.

(b) Not confirmed. For the period January 1, 2016 to present, in compliance with Keystone's corporate policies, no corporate records pertaining to the TSAs or the components thereof have been destroyed.

Information Request P66-Husky 1.1
Attachment P66-Husky 1.1

ATTACHMENT 1

KEYSTONE PIPELINE SYSTEM
NOTICE OF 2020 ESTIMATED VARIABLE TOLLS / RATES

	2020 Estimate			2019 Filed			Variance %		
	Canada	US	TOTAL	Canada	US	TOTAL	Canada	US	TOTAL
Costs ($MM)									
Operating & Maintenance	156.1	163.1	319.2	104.2	121.0	225.2			
Power	103.0	156.5	259.5	106.0	160.8	266.8			
Property Tax	9.6	41.2	50.8	9.3	47.8	57.1			
Total OM&A Costs	268.7	360.8	629.5	219.5	329.6	549.1	22.4%	9.5%	14.6%
Volume (000's m^3)									
Light		1,650	*5%*		1,161	*3%*		42.2%	
Heavy		32,777	*95%*		33,135	*97%*		-1.1%	
Total		34,427			34,296			0.4%	
		592 kbpd			*591 kbpd*				
Distance (km)									
Wood River, Illinois	1,241	1,656		1,241	1,657				
Patoka, Illinois	1,241	1,746		1,241	1,747				
Cushing, Oklahoma	1,241	1,511		1,241	1,510				
Port Arthur, Texas	1,241	2,294		1,241	2,292				
Houston, Texas	1,241	2,293		1,241	2,291				
Weighted m^3-km (MM)	42,106	60,828	102,934	42,126	59,306	101,432	0.0%	2.6%	1.5%
$ / m^3 / 100 km	0.6382	0.5931	0.6115	0.5212	0.5557	0.5414	22.5%	6.7%	13.0%
Variable Toll / Rate ($ / m^3)	Canada	US	TOTAL	Canada	US	TOTAL	Canada	US	TOTAL
Wood River, Illinois									
Light Crude	$5.543	$6.874	**$12.417**	$4.527	$6.445	**$10.972**	22.4%	6.7%	13.2%
Heavy Crude	$7.919	$9.820	**$17.739**	$6.467	$9.207	**$15.674**	22.5%	6.7%	13.2%
Patoka, Illinois									
Light Crude	$5.543	$7.249	**$12.792**	$4.527	$6.797	**$11.324**	22.4%	6.6%	13.0%
Heavy Crude	$7.919	$10.356	**$18.275**	$6.467	$9.710	**$16.177**	22.5%	6.7%	13.0%
Cushing, Oklahoma									
Light Crude	$5.543	$6.273	**$11.816**	$4.527	$5.874	**$10.401**	22.4%	6.8%	13.6%
Heavy Crude	$7.919	$8.962	**$16.881**	$6.467	$8.392	**$14.859**	22.5%	6.8%	13.6%
Port Arthur, Texas									
Light Crude	$5.543	$9.522	**$15.065**	$4.527	$8.915	**$13.442**	22.4%	6.8%	12.1%
Heavy Crude	$7.919	$13.603	**$21.522**	$6.467	$12.736	**$19.203**	22.5%	6.8%	12.1%
Houston, Texas									
Light Crude	$5.543	$9.518	**$15.061**	$4.527	$8.910	**$13.437**	22.4%	6.8%	12.1%
Heavy Crude	$7.919	$13.597	**$21.516**	$6.467	$12.729	**$19.196**	22.5%	6.8%	12.1%

	2020 Estimate			2019 Filed			Variance %		
Illustrative tolls / rates ($/bbl)	Canada	US	TOTAL	Canada	US	TOTAL	Canada	US	TOTAL
Wood River, Illinois									
Light Crude	$0.881	$1.093	**$1.974**	$0.720	$1.025	**$1.744**	22.4%	6.7%	13.2%
Heavy Crude	$1.259	$1.561	**$2.820**	$1.028	$1.464	**$2.492**	22.5%	6.7%	13.2%
Patoka, Illinois									
Light Crude	$0.881	$1.152	**$2.034**	$0.720	$1.081	**$1.800**	22.4%	6.6%	13.0%
Heavy Crude	$1.259	$1.646	**$2.905**	$1.028	$1.544	**$2.572**	22.5%	6.7%	13.0%
Cushing, Oklahoma									
Light Crude	$0.881	$0.997	**$1.879**	$0.720	$0.934	**$1.654**	22.4%	6.8%	13.6%
Heavy Crude	$1.259	$1.425	**$2.684**	$1.028	$1.334	**$2.362**	22.5%	6.8%	13.6%
Port Arthur, Texas									
Light Crude	$0.881	$1.514	**$2.395**	$0.720	$1.417	**$2.137**	22.4%	6.8%	12.1%
Heavy Crude	$1.259	$2.163	**$3.422**	$1.028	$2.025	**$3.053**	22.5%	6.8%	12.1%
Houston, Texas									
Light Crude	$0.881	$1.513	**$2.395**	$0.720	$1.417	**$2.136**	22.4%	6.8%	12.1%
Heavy Crude	$1.259	$2.162	**$3.421**	$1.028	$2.024	**$3.052**	22.5%	6.8%	12.1%

Notes:
1. Totals may not add due to rounding.
2. Consolidated Canadian Toll and US Rate assumes F/X at par.

TC Energy
450 - 1 Street SW
Calgary, AB, Canada, T2P 5H1
[redacted]

Date: December 1, 2020

To:

«Canadian_TSA»		«US_TSA»
«Address_1», «Address_2»		«Address_1_us», «Address_2_us»
«City», **«Province»** «Postal_code»	**and**	«City_us», **«State»** «Zip»
Attention: «Attention»		Attention: «Attention_us»
Fax: «Fax»		Fax: «Fax_us»
Email: «Email»		Email: «Email»

(collectively "Shipper" as applicable)

RE: Transportation Service Agreement(s) between Keystone Canada / Keystone US ("**Carrier**" as applicable) and Shipper, including any amendments thereto (the "**TSAs**")

Notice of 2021 Estimated Variable Tolls / Rates on the Keystone Pipeline System

Dear Sir/Madam:

Carrier issues this Notice in accordance with paragraph D.4 of Appendix 'B' of the Canadian TSA and the US TSA (collectively, the "TSAs"), Keystone Canada and Keystone US (collectively, the "Carrier") are required to provide Shipper with an estimate of the Variable Tolls and the Variable Rates for the upcoming Year on or before December 1 of each Year. Such revised Variable Tolls/Rates shall take effect as of January 1, 2021.

Please see the attachments for the 2021 Estimated Variable Tolls/Rates and supporting calculations.

In an effort to make the Variable Tolls/Rates information easier to understand, we are including new information in this Year's Notice.

Further details regarding Operating, Maintenance and Administration Costs ("OPEX") are available in:

- Schedule 1: Canadian OM&A detailed breakdown, including variance explanations and waterfall charts
- Schedule 2: US OM&A detailed breakdown, including variance explanations and waterfall charts
- Schedule 3: Comparison between the 2021 and 2020 Estimated Variable Tolls/Rates
- Schedule 4: Lastly, a discussion of Non-Routine Adjustment items is provided which will be included in the 2021 Estimated Variable Tolls/Rates.

TC Energy

2021 Variable Toll Summary

Table 1: Toll/Rate Calculation and Comparison with 2020 Estimated

	2021 Estimated			2020 Estimated			Variance %		
	Canada	**US**	**TOTAL**	**Canada**	**US**	**TOTAL**	**Canada**	**US**	**TOTAL**
Costs ($MM)									
Operating & Maintenance	131.3	165.6	296.9	156.1	163.1	319.2	-16%	2%	-7%
Power	105.0	153.8	258.8	103.0	156.5	259.5	2%	-2%	0%
Property Tax	9.3	50.4	59.7	9.6	41.2	50.8	-4%	22%	18%
Total OM&A Costs	245.5	369.9	615.4	268.7	360.8	629.5	-8.6%	2.5%	-2.2%
Volume (000's m3)									
Light	1,161		3.3%	1,650		4.8%		-29.7%	
Heavy	33,835		96.7%	32,777		95.2%		3.2%	
Total	34,996			34,427				1.7%	
		603 kbpd			*592 kbpd*				
$ / m3 / 100 km	0.5710	0.5986	0.5873	0.6382	0.5931	0.6115	-10.5%	0.9%	-4.0%

Notes:

1. Totals may not add due to rounding.
2. Consolidated Canadian Toll and US Rate assumes F/X at par.
3. Addition Explanation of the Toll/Rate Calculation is provided in Schedule 4

- Overall throughput on the system is expected to reach 603 kbpd, due to the commencement of services regarding a portion of contracts awarded in the Summer 2019 Open Season.
- Overall program costs have decreased by 2.2% from $629.5 MM to $615.4 MM, due to the anticipated incremental throughput, unit costs ($/m3/100 km) are expected to decrease 4.0%.

Capitalized terms used but not otherwise defined in this Notice shall have the meanings given to those terms in the TSAs.

We trust the enclosed is sufficient and satisfactory. However, Carriers will host an all Term Shippers meeting on December 9, 2020 to respond to enquiries on the 2021 Estimated Variable Tolls and Rates. If you have any comments or questions, please contact me at [redacted] or at [redacted]

Regards,

[redacted]

cc: «cc1» («cc1_email»)
«cc2» («cc2_email»)
«cc3» («cc3_email»)
«cc4» («cc4_email»)
«cc5_» («cc5_email»)

TC Energy

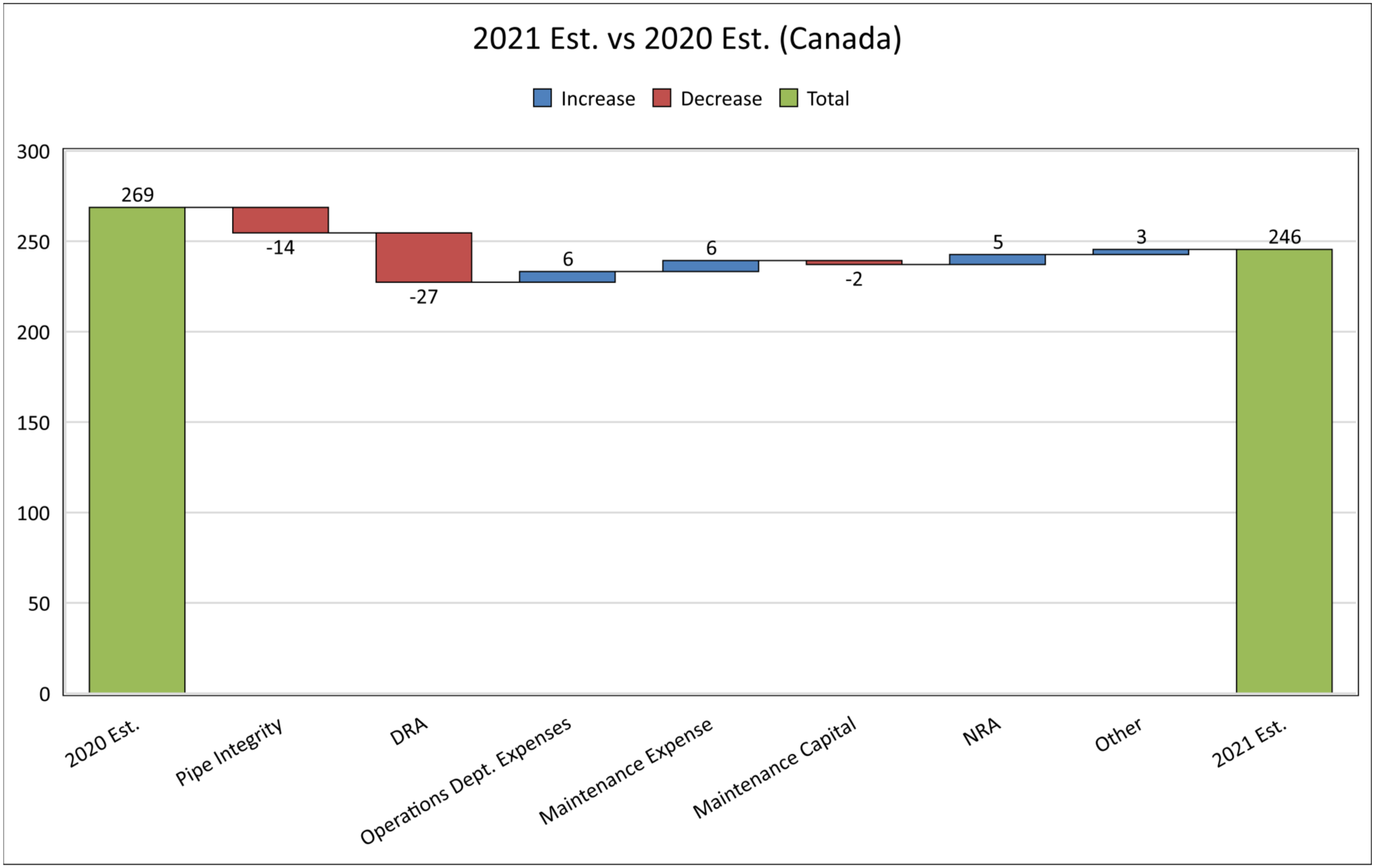
Schedule 1: Breakdown of Canadian costs ($CDN Million)

Line No.	Cost	2021 Estimated	2020 Estimated	Variance	% Change	Comments
	Column Reference:	*A*	*B*	*C = A - B*	*D = C/B*	
1	Operational Programs	44.6	*53.4*	*(8.7)*	*-16.3%*	Increase in maintenance expenses offset by reduction in pipe integrity and CER cost recovery fees. Reduced number of excavations associated with integrity program. A new operations initiative is required to replace underground connections to prevent futures facilities leaks. Some motors are undergoing refurbishment. Upgrade of the Keystone Customer System for online nominations.
2	Non-Ops Programs	46.0	38.1	*7.8*	*20.6%*	Increased FTEs and benefit/pension costs. It is estimated that 20 new hires are required to support reliability and safety initatives, including adding Field Operations technicians to reduce overtime hours. Non-personnel costs are higher due to contractor support and maintenance activities, increased security personnel at the Hardisty terminal, additional office space and leasehold improvements
3	Maintenance Capital	10.7	12.9	*(2.2)*	*-17.0%*	Reduction in maintenance capital activities in comparison to 2020
4	Non-Routine Adjustments (NRAs)	10.6	5.1	*5.5*	*106.8%*	New NRAs:Facility Improvements for operational DRA Injection and 2020 PI Enhanced Program Updated NRA: Actual costs have been realized for 2018-2019 NETFLEX NRA
5	DRA	19.3	46.6	*(27.3)*	*-58.6%*	Signficantly reduced DRA utilization due to the removal of most pressure restrictions
6	OM&A	131.3	156.1	*(24.9)*	*-15.9%*	
7	Power	105.0	103.0	*2.0*	*1.9%*	No substantial change
8	Property Tax	9.3	9.6	*(0.3)*	*-3.5%*	No substantial change
9	TOTAL Keystone CAN OPEX	245.5	268.7	-23.2	*-8.6%*	

Notes:

1. *Totals may not add due to rounding.*

TC Energy


2021 Est. vs 2020 Est. (Canada)
Increase
Decrease
Total
300
250
200
150
100
50
0
269
-14
-27
6
6
-2
5
3
246
2020 Est.
Pipe Integrity
DRA
Operations Dept. Expenses
Maintenance Expense
Maintenance Capital
NRA
Other
2021 Est.

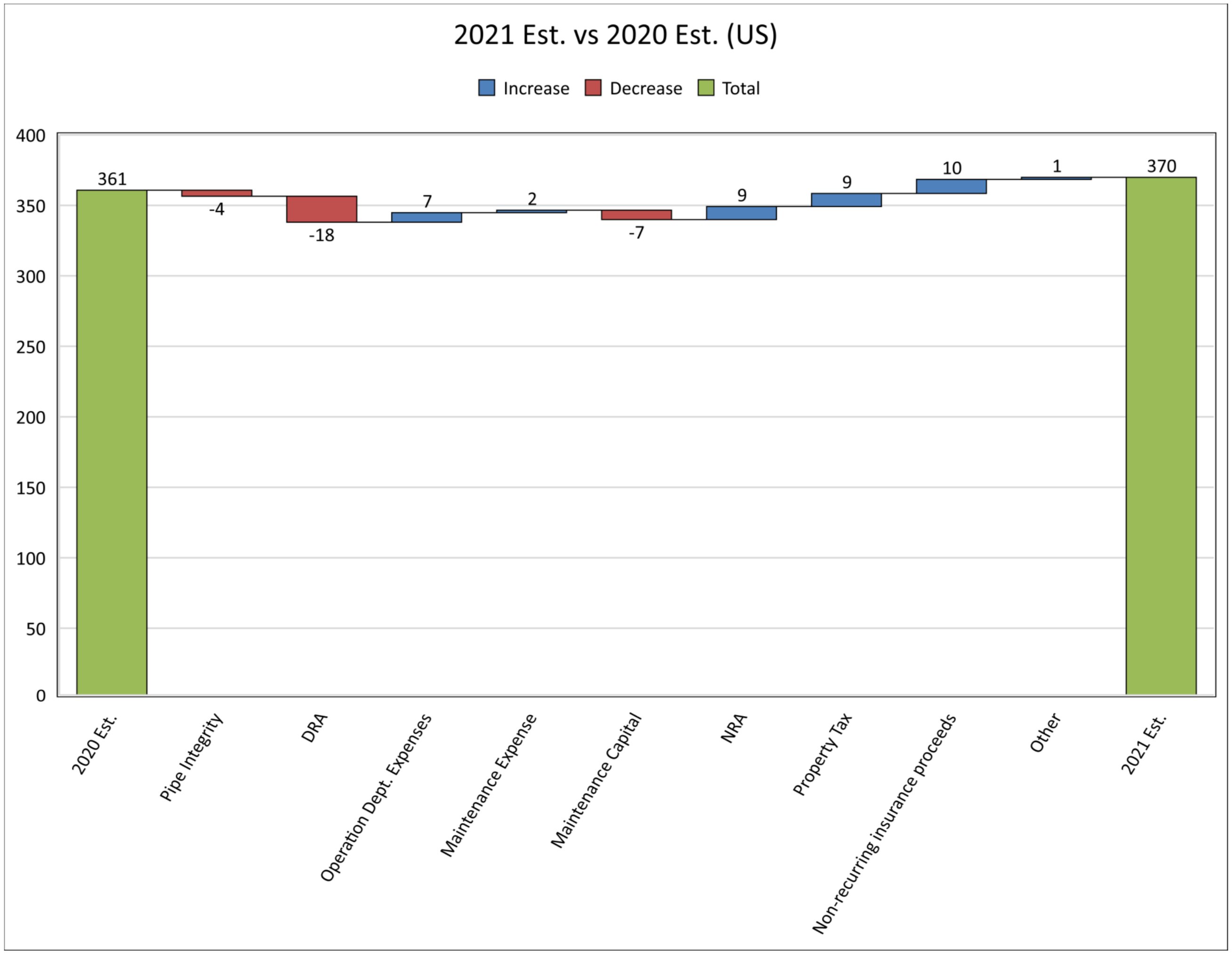
TC Energy

Schedule 2: Breakdown of US Costs ($USD Million)

(i) KEYSTONE US: Costs Pre-Allocations to Marketlink			(ii) Split of costs btw Base KS US and Gulf Coast Leg			(iii) Split of Gulf Coast Leg Costs		(iv) Post Allocations to Marketlink				
	Column Reference:	*A*	*B*	*C*	*D*	*E*	*F*	*G = C + E*	*H*	*I = G - H*	*J = I/H*	
Line No.	**Cost**	**2021 Estimated**	**Allocation Method**	**Base Keystone US**	**Gulf Coast Leg**	**Keystone**	**Marketlink**	**Keystone**	**2020 Estimated**	**Variance**	**% Change**	**Comments**
1	Operational Programs	62.9	Indirect	48.3	14.5	3.2	11.3	51.5	52.3	*(0.7)*	*-1.4%*	Increase in Maintenance Expense offset by deferral of the recovery of the 2021 Pipeline Integrity Enhancement Program through NRA treatment. Additional API 653 Tank Inspections. Some motors are undergoing refurbishment. Upgrade of the Keystone Customer System for online nominations.
2	Non-Ops Programs	75.9	Indirect	58.4	17.5	3.9	13.7	62.3	53.1	*9.2*	*17.3%*	Increased FTEs and benefit/pension costs. It is estimated that 20 new hires are required to support reliability and safety initatives, including adding Field Operations technicians to reduce overtime hours. Non-personnel costs are higher due to contractor support and maintenance activities
3	Maintenance Capital	7.4	Direct	3.5	3.9	0.9	3.1	4.4	11.0	*(6.7)*	*-60.3%*	Reduction in maintenance capital activities in comparison to 2020
4	Non-Routine Adjustments (NRAs)	27.8	Indirect	24.1	3.6	0.8	2.8	24.9	15.7	*9.3*	*59.1%*	Addition of 2020 Pipe Integrity Enhanced Program NRA + Update to NETFLEX NRA
5	DRA	26.0	Direct	21.5	4.5	1.0	3.5	22.5	41.0	*(18.5)*	*-45.1%*	Signficantly reduced DRA utilization due to the removal of most pressure restrictions
6	Insurance Proceeds	0.0	Direct	0.0	0.0	0.0	0.0	0.0	(10.0)	*10.0*	*-100.0%*	No further insurance recoveries anticipated in 2021
7	OM&A	200.0		155.9	44.1	9.7	34.4	165.6	163.1	2.5	*1.6%*	
8	Power	171.0	Direct	149.0	22.0	4.9	17.2	153.8	156.5	*(2.7)*	*-1.7%*	No substantial change
9	Property Tax	72.3	Direct	44.3	28.1	6.2	21.9	50.4	41.2	*9.3*	*22.5%*	End of 10-year holiday period for State of Kansas property taxes
10	TOTAL Keystone US OPEX	443		349.1	94.2	20.7	73.5	369.8	360.8	9.1	*2.5%*	

Notes:
1. *Totals may not add due to rounding.*

**Allocation Method:*
Direct = can be directly attributed to a segment of pipeline
Indirect = cannot be directly attibuted to a segment of pipeline


2021 Est. vs 2020 Est. (US)
Increase
Decrease
Total
400
350
300
250
200
150
100
50
0
361
-4
-18
7
2
-7
9
9
10
1
370
2020 Est.
Pipe Integrity
DRA
Operation Dept. Expenses
Maintenance Expense
Maintenance Capital
NRA
Property Tax
Non-recurring insurance proceeds
Other
2021 Est.

Schedule 3: Toll/Rate Calculation and Comparison with 2020 Estimated

	2021 Estimated			2020 Estimated			Variance %		
	Canada	US	TOTAL	Canada	US	TOTAL	Canada	US	TOTAL
Costs ($MM)									
Operational Programs	44.6	51.5	96.2	53.4	52.3	105.6	-16%	-1%	-9%
Non-Operational Costs	46.0	62.3	108.2	38.1	53.1	91.2	21%	17%	19%
Maintenance Capital	10.7	4.4	15.1	12.9	11.0	24.0	-17%	-60%	-37%
Non-Routine Adjustments (NRAs)	10.6	24.9	35.5	5.1	15.7	20.8	107%	59%	71%
DRA	19.3	22.5	41.8	46.6	41.0	87.5	-59%	-45%	-52%
Insurance Proceeds	-	-	-	-	(10.0)	(10.0)	0%	-100%	-100%
Power	105.0	153.8	258.8	103.0	156.5	259.5	2%	-2%	0%
Property Tax	9.3	50.4	59.7	9.6	41.2	50.8	-4%	22%	18%
Total OM&A Costs	245.5	369.9	615.4	268.7	360.8	629.5	-8.6%	2.5%	-2.2%

Volume (000's m3)	2021 Estimated		2020 Estimated		Variance %
Light	1,161	3.3%	1,650	4.8%	-29.7%
Heavy	33,835	96.7%	32,777	95.2%	3.2%
Total	34,996		34,427		1.7%
	603 kbpd		*592 kbpd*		

Distance (km)	2021 Canada	2021 US	2021 TOTAL	2020 Canada	2020 US	2020 TOTAL	Var. Canada	Var. US	Var. TOTAL
Wood River, Illinois	1,241	1,656		1,241	1,656				
Patoka, Illinois	1,241	1,746		1,241	1,746				
Cushing, Oklahoma	1,241	1,511		1,241	1,511				
Port Arthur, Texas	1,241	2,294		1,241	2,294				
Houston, Texas	1,241	2,293		1,241	2,293				
Weighted m3-km (MM)	42,994	61,787	104,781	42,106	60,828	102,934	2.1%	1.6%	1.8%
$ / m3 / 100 km	0.5710	0.5986	0.5873	0.6382	0.5931	0.6115	-10.5%	0.9%	-4.0%

	2021 Estimated			2020 Estimated			Variance %		
Variable Toll / Rate ($ / m3)	Canada	US	TOTAL	Canada	US	TOTAL	Canada	US	TOTAL
Wood River, Illinois									
Light Crude	$4.960	$6.938	**$11.898**	$5.543	$6.874	**$12.417**	-10.5%	0.9%	-4.2%
Heavy Crude	$7.086	$9.912	**$16.998**	$7.919	$9.820	**$17.739**	-10.5%	0.9%	-4.2%
Patoka, Illinois									
Light Crude	$4.960	$7.317	**$12.277**	$5.543	$7.249	**$12.792**	-10.5%	0.9%	-4.0%
Heavy Crude	$7.086	$10.453	**$17.539**	$7.919	$10.356	**$18.275**	-10.5%	0.9%	-4.0%
Cushing, Oklahoma									
Light Crude	$4.960	$6.332	**$11.292**	$5.543	$6.273	**$11.816**	-10.5%	0.9%	-4.4%
Heavy Crude	$7.086	$9.046	**$16.132**	$7.919	$8.962	**$16.881**	-10.5%	0.9%	-4.4%
Port Arthur, Texas									
Light Crude	$4.960	$9.611	**$14.571**	$5.543	$9.522	**$15.065**	-10.5%	0.9%	-3.3%
Heavy Crude	$7.086	$13.730	**$20.816**	$7.919	$13.603	**$21.522**	-10.5%	0.9%	-3.3%
Houston, Texas									
Light Crude	$4.960	$9.607	**$14.567**	$5.543	$9.518	**$15.061**	-10.5%	0.9%	-3.3%
Heavy Crude	$7.086	$13.724	**$20.810**	$7.919	$13.597	**$21.516**	-10.5%	0.9%	-3.3%

	2021 Estimated			2020 Estimated		
Illustrative tolls / rates ($/bbl)	Canada	US	TOTAL	Canada	US	TOTAL
Wood River, Illinois						
Light Crude	$0.789	$1.103	**$1.892**	$0.881	$1.093	**$1.974**
Heavy Crude	$1.127	$1.576	**$2.702**	$1.259	$1.561	**$2.820**
Patoka, Illinois						
Light Crude	$0.789	$1.163	**$1.952**	$0.881	$1.152	**$2.034**
Heavy Crude	$1.127	$1.662	**$2.788**	$1.259	$1.646	**$2.905**
Cushing, Oklahoma						
Light Crude	$0.789	$1.007	**$1.795**	$0.881	$0.997	**$1.879**
Heavy Crude	$1.127	$1.438	**$2.565**	$1.259	$1.425	**$2.684**
Port Arthur, Texas						
Light Crude	$0.789	$1.528	**$2.317**	$0.881	$1.514	**$2.395**
Heavy Crude	$1.127	$2.183	**$3.309**	$1.259	$2.163	**$3.422**
Houston, Texas						
Light Crude	$0.789	$1.527	**$2.316**	$0.881	$1.513	**$2.395**
Heavy Crude	$1.127	$2.182	**$3.309**	$1.259	$2.162	**$3.421**

Notes:

1. Totals may not add due to rounding.
2. Consolidated Canadian Toll and US Rate assumes F/X at par.

TC Energy

Toll/Rate Calculation Explanation

Step 1: Obtain the **Total OM&A Costs** by country and adjusted by allocations between Keystone US and Marketlink

Step 2: **Volumes** by **Crude Type** and **Delivery Points** are estimated based on Shipper feedback

Step 3: Calculate **Weighted m3-km** based on Volumes delivered by Crude Type and Delivery Points

Step 4: Calculate **$ / m3/ 100 km** by dividing **Total OM&A Costs** by **Weighted m3-km** multiplied by 100

Step 5: Variable Toll/Rate by each Delivery Point is then calculated as follows:

a) Light Crude - **$ / m3 /100 km** x **Distance** to Delivery Point x 70% divided by 100
b) Heavy Crude - **$ / m3 /100 km** x **Distance** to Delivery Point divided by 100

TC Energy

Schedule 4 – Non-Routine Adjustments

NETFLEX

Project	Est. CAPEX ($MM)	Actual CAPEX ($MM)	AFUDC ($MM)	Amort. Period (Yrs.)	ROR (%)	NRA ($MM)
NETFLEX 2018-2019 Costs (CAN)	4.9	5.5	0.04	5	[redacted]%	1.4
NETFLEX 2018-2019 Costs (US)	8.2	9.7	0.06	5	[redacted]%	2.0
NETFLEX 2020 Costs (CAN)	2.2	-	0.11	5	[redacted]%	0.6
NETFLEX 2020 Costs (US)	2.9	-	0.14	5	[redacted]%	0.6

Updated NRAs: NETFLEX 2018-2019 (CAN/US)

- The NETFLEX program is required to upgrade aging network infrastructure and address modern cybersecurity threats. Now that the 2018-2019 program is complete and actual costs are known, the NRA will be adjusted to reflect the actual costs.

New NRA: NETFLEX 2020 (CAN/US)

- Additional telecom and cybersecurity upgrades continued into 2020. The 2020 costs will be treated as a separate NRA commencing collection in the 2021 Estimated Variable Tolls/Rates and amortized over a period of 5 years.

Pump Station Improvements for DRA Injection & Pipeline Integrity (PI) Enhancement Program

Project	Est. CAPEX ($MM)	AFUDC ($MM)	Amort. Period (Yrs.)	ROR (%)	NRA ($MM)
Pump Station Improvements for DRA Injection (CAN)	2.7	0.62	10	[redacted]%	0.5
PI Enhancement Program 2020 (CAN) - Capital	4.4	0.06	3	[redacted]%	1.7
PI Enhancement Program 2020 (US) - Capital	0.8	0.02	3	[redacted]%	0.3

New NRA: Pump Station Improvements for DRA Injection.

- Between 2018 and 2020, Keystone completed pump station improvements to facilitate incremental DRA injections. The program cost included civil work to prepare the site for the DRA skids, running electrical cabling to the pumps and welding connections from the DRA tank to the pipeline facilities. The DRA skid is supplied by the vendor.
- This work was not intended for capacity additions. This critical work was completed to increase the reliability of the Base Keystone system and provide sprint capacity to respond to unplanned events and improve Keystone's ability to meet shipper commitments up to 591 kbpd.

New NRAs: Pipeline Integrity Enhancement Program – Capital and Expense

- Two new NRA's are being established to help defer costs and reduce the impact to the 2020 toll.
- Typically, Keystone would expense PI costs in the year that they are incurred.
- Based on feedback from the shippers to utilize the NRA mechanism to levelize the impacts of more significant programs costs, Keystone is responding to that request by amortizing the PI Enhancement Program

Project	Expense ($MM)	AFUDC ($MM)	Amort. Period (Yrs.)	ROR (%)	NRA ($MM)
Enhanced PI Program 2020 (CAN) - Expense	6.6	N/A	3	[redacted]%	2.5
Enhanced PI Program 2020 (US) - Expense	26.0	N/A	3	[redacted]%	8.2

In 2020, Keystone launched the Pipeline Integrity Enhancement Initiative. The program is a critical element of the Pipeline Integrity Program that supports the continuous evaluation and improvement of the integrity of the Keystone system which is achieved through the following program objectives:

- **Threat Assessment: Feature identification, risk assessments, and repairs** – Conducting inline inspections (ILI) using advanced technologies, the development of a new calibration spool to confirm tool detection capabilities prior to running the tool, and to detect challenging geometries and features that were previously undetectable with existing technologies and a dig program that addresses potential integrity threats and regulatory requirements.
    - 6 additional inspections completed in 2020, resulting in 20 completed excavations with 13 recoats and 7 steel sleeve repairs
- **Reduction of pressure cycling** – Achieved through operational improvements such as Scheduling changes to reduce the number of swings at Steele City. Other engineering initiatives are being pursued to continue to mitigate pressure cycling
- **Working towards completing all regulatory obligations related to the Edinburg release** - Ongoing collaboration with PHMSA and CER, and integration of lessons learned in the integrity program
- **Implementation, oversight, and subsequent removal of pressure restrictions** – With regulatory approval, subsequently remove all pressure restrictions through analysis and modelling, while mitigating capacity impacts

IR Number: P66-Husky No. 1.2

Category: Hearing Order No: AO-001-RH-005-2020

Topic: **Keystone Volumes and Capacity**
Keystone Operational Capacity

Reference:

(i) Written Evidence of Keystone, Appendix D, Patoka TSA CDN 2009, PDF pages 104-106 of 135 (A7Q6W4).

(ii) Written Evidence of Keystone, Appendix E, Keystone NEB Tariff No. 23 Rules and Regulations, 7.2 (iii), PDF pages 119-121 of 135 (A7Q6W4).

Preamble

In Reference (i), the variable toll is calculated as the total operating, maintenance and administrative costs for the month divided by the weighted barrel kilometers for that month. To determine whether the 2020 and 2021 toll filings are 'just and reasonable', Phillips Canada and Husky seek to understand the total volume across which the variable costs are allocated, the nominations, and the allocations of available capacity that gave rise to those volumes.

In Reference (ii), PDF pages 119 to 121 of 135, the Rules and Regulations state that any remaining available capacity after the Monthly Term Shipper Allocation is filled "shall be allocated among Term Shippers and Non-Term Shippers on a prorate basis calculated for each Shipper…".

Request:

(a) For each month during the period January 2016 through the most recent month available, please state the total nominations and Monthly Term Shipper Allocation subject to contractual commitments by Term Shippers on the Keystone Canada Pipeline by origin and destination combination.

(b) For each month during the period January 2016 through the most recent month available, please state the total nominations and allocation of Remaining Available Capacity that has been nominated by Term Shippers on the Keystone Canada Pipeline by origin and destination combination.

(c) For each month during the period January 2016 through the most recent month available, please state the total nominations and allocation of Remaining Available Capacity that has been nominated by Uncommitted, Non-Term Shippers on the Keystone Canada Pipeline by origin and destination combination.

(d) Please provide any worksheets, studies, and analyses showing application of Keystone's pro-rationing policy where applicable.

Response:

(a) through (d)

Pursuant to Appendix B of the Term Shipper's TSA filed in Keystone's Written Evidence (Filing ID C11126, Appendix B, pages 102-106), the Variable Toll is calculated based on the overall throughput on the system regardless of whether the volume is related to Term Shippers or Non-Term Shippers. Therefore, how the volumes are allocated during the nomination process is not relevant to the calculation of the 2020 and 2021 Estimated Variable Tolls. For further detail on the allocation process, refer to Article 7.2 of Keystone's Rules and Regulations – Allocation of Available Capacity.

However, historical monthly traffic information such as overall nominations and throughput is publicly available on the CER website:
(http://www.cer- rec.gc.ca/nrg/ntgrtd/pplnprtl/pplnprfls/crdl/kstn-eng.html)

IR Number: P66-Husky No. 1.3

Category: Hearing Order No: AO-001-RH-005-2020

Topic: **Keystone Capacity and DRA Utilization**
Keystone Operational Capacity

Reference:

(i) Written Evidence of TransCanada Keystone Pipeline Limited Partnership, Filed 22 January 2021, PDF pages 22-24 of 135 (A7Q6W4).

(ii) NEB Reasons for Decision, Decision OH-1-2007, PDF pages 13, 27-30 of 128 (A16511-1).

(iii) NEB Reasons for Decision, Decision OH-1-2008, PDF pages 13-14, 18, 24- 27 of 98 (A19308-1).

(iv) Keystone NEB Tariff No. 34, Effective January 1, 2019, PDF page 2 of 3 (A6K8G4).

(v) FERC Order on Petition for Declaratory Order of TransCanada Keystone Pipeline, L.P., FERC Docket No. OR13-17-000, 144 FERC ¶ 61,089, July 31, 2013.

Preamble

In Reference (i) at PDF pages 22-24 of 135, Keystone states that Drag Reducing Agent (“DRA”) is used on Keystone’s system to facilitate capacity for Term and Non-Term Shippers.

In Reference (ii) at PDF pages 13 and 27-30 of 128, the NEB noted that the planned capacity of Keystone’s originally proposed system from Hardisty to Wood River and Patoka Illinois would be 435,000 b/d, with contracted committed capacity to Term Shippers of 340,000 b/d. The NEB also noted that the capital costs associated with this nominal design capacity of 435,000 b/d is to be recovered via a fixed portion of the Committed Toll that would not change over the duration of the length of the contract for the Term Shipper.

In Reference (iii) at PDF pages 13-14, 18, and 24-27 of 98, the NEB noted that the expanded capacity associated with the addition of the pipeline segment from the Kansas/Nebraska border to Cushing Oklahoma and additional pumping stations along Keystone’s originally proposed system from Hardisty to Wood River and Patoka Illinois would increase total system capacity from 435,000 b/d to 591,000 b/d, with contracted committed capacity to Term Shippers of 495,000 b/d. The NEB also noted that the capital costs associated with this nominal design capacity of 591,000 b/d is to be recovered via a fixed portion of the Committed Toll that would not change over the duration of the length of the contract for the Term Shipper. The NEB further noted that the fixed portion of the Committed Toll would differ between Term Shippers with the primary delivery point associated with their contract at Wood River or Patoka Illinois and those shippers with the primary delivery point associated with their contract at Cushing Oklahoma.

In Reference (iv) at PDF page 2 of 3, Keystone implemented distinct fixed portions of Committed Tolls for Term Shippers to Wood River of Patoka, Illinois versus to Cushing, Oklahoma versus to Port Arthur or Houston, Texas.

In Reference (v) at para. 3, the FERC states: “The proposed project will extend the system approximately 485 miles from Cushing to the Gulf Coast. Once the new facilities are placed into service, the TransCanada Keystone system will provide transportation service from the International Border to the two new delivery points in the Gulf Coast. The new facilities will provide shippers with an additional option to ship their crude oil from the International Border to the Gulf Coast, which will help alleviate the current transportation bottleneck out of Oklahoma.”

In Reference (v) at para. 4, the FERC states: “The pipeline will serve both committed and uncommitted shippers. Committed shippers have executed binding commitments for ship-or-pay term contracts to delivery points at Patoka, Wood River, or Cushing. These shippers, pursuant to their transportation service agreements (TSAs), have elected to divert some of their volume commitments to the new Gulf Coast destinations at Port Arthur and Houston. A diversion surcharge for transportation service to the Gulf Coast, in addition to the applicable transportation rates specified in their existing TSAs, will be assessed.”

Request:

(a) Please confirm that the fixed portion of the Committed Tolls for transportation to Wood River or Patoka, Illinois was created in accordance with the methodology specified in NEB Decision OH-1-2007.

(i) If not confirmed, please identify the methodology used to determine the fixed portion of the Committed Tolls for transportation to Wood River or Patoka, Illinois, how that methodology differs from the methodology specified in NEB Decision OH-1-2007, and what NEB decision that methodology is approved in.

(b) Please confirm that the nominal design capacity of 435,000 b/d of the original Keystone system that was the subject of NEB Decision OH-1-2007 was based on a design that did not include the use of DRA in order to provide the nominal design capacity.

(i) If not confirmed, please provide all internal documents contemporaneous with Keystone's application to the NEB that was the subject of NEB Decision OH-1-2007 that provide evidence that the nominal design capacity of 435,000 b/d of the original Keystone system that was the subject of NEB Decision OH-1-2007 was based on a design that included the use of DRA in order to provide the nominal design capacity.

(c) Please confirm that the fixed portion of the Committed Tolls for transportation to Cushing, Oklahoma was created in accordance with the methodology specified in NEB Decision OH-1-2008.

(i) If not confirmed, please identify the methodology used to determine the fixed portion of the Committed Tolls for transportation to Cushing, Oklahoma, how that methodology differs from the methodology specified in NEB Decision OH-1-2008, and what NEB decision that methodology is approved in.

(d) Please confirm that the expanded nominal design capacity of 591,000 b/d of the expanded Keystone system that was the subject of the NEB decision in NEB Decision OH-1-2008 was based on a design that did not include the use of DRA in order to provide the stated nominal design capacity.

(i) If not confirmed, please provide all internal documents contemporaneous with Keystone's application to the NEB that was the subject of NEB Decision OH-1-2008 that provide evidence that the nominal design capacity of 591,000 b/d of the expanded Keystone system that was the subject of NEB Decision OH-1-2008 was based on a design that included the use of DRA in order to provide the nominal design capacity.

(e) With respect to Reference (iv), please identify the NEB decision pursuant to which the fixed and variable Committed Tolls to Port Arthur and Houston, Texas were implemented and the first date on which those tolls were implemented.

(f) With respect to Reference (iv), please identify whether the nominal capacity of the Keystone system from Hardisty to Cushing, Oklahoma was altered without the use of DRA when the fixed and variable Committed Tolls to Port Arthur and Houston, Texas, and the associated extension of the Keystone system from Cushing, Oklahoma to Port Arthur and Houston, Texas were implemented.

(i) If so, please provide a description of the physical alterations of the Keystone system from Hardisty to Cushing, Oklahoma that occurred in conjunction with when the fixed and variable Committed Tolls to Port Arthur and Houston, Texas, and the associated extension of the Keystone system from Cushing, Oklahoma to Port Arthur and Houston, Texas were implemented, and the resulting change in the nominal capacity of the Keystone system from Hardisty to Cushing that occurred as a result.

(g) With respect to Reference (iv), please identify whether the nominal capacity of the Keystone system from Hardisty to Wood River or Patoka, Illinois was altered without the use of DRA when the fixed and variable Committed Tolls to Port Arthur and Houston, Texas, and the associated extension of the Keystone system from Cushing, Oklahoma to Port Arthur and Houston, Texas were implemented.

(i) If so, please provide a description of the physical alterations of the Keystone system from Hardisty to Wood River or Patoka, Illinois that occurred in conjunction with when the fixed and variable Committed Tolls to Port Arthur and Houston, Texas, and the associated extension of the Keystone system from Cushing, Oklahoma to Port Arthur and Houston, Texas were implemented, and the resulting change in the nominal capacity of the Keystone system from Hardisty to Cushing that occurred as a result.

(h) With respect to Reference (iv) and (v), please identify whether, and the amount, of any change in the total contracted capacity by Term Shippers for capacity on the Keystone system between Hardisty and Cushing, Wood River, or Patoka when the fixed and variable Committed Tolls to Port Arthur and Houston, Texas, and the associated extension of the Keystone system from Cushing, Oklahoma to Port Arthur and Houston, Texas were implemented.

(i) Please identify the date on which the fixed and variable Committed Tolls to Port Arthur and Houston, Texas, and the associated extension of the Keystone system from Cushing, Oklahoma to Port Arthur and Houston, Texas were implemented.

Response:

(a) Confirmed.

(b) Confirmed. The design for the Keystone Pipeline System was based on the transportation of heavy crudes. As drag reducing agent (DRA) for heavy crudes was not available at the time, the original design did not contemplate the use of DRAs.

(c) Confirmed.

(d) Confirmed. The design for the Keystone Pipeline System was based on the transportation of heavy crudes. As DRA for heavy crudes was not available at the time, the original design did not contemplate the use of DRAs.

(e) Keystone filed tolls in effect January 2014 to offer shippers the option to divert volumes to Port Arthur and Houston, Texas utilizing the Cushing, Oklahoma Toll which was created in accordance with the methodology specified in NEB Decision OH-1-2008, which did require approval from the NEB.

(f) and (g)

The nominal capacity did not change with the diversion volumes described in (e).

(h) No additional contracted capacity for service to Wood River and Patoka, Illinois was awarded when the services to Port Arthur commenced (January 2014) or Houston commenced (July 2016). Additional capacity for service to Wood River and Patoka was awarded in the Summer 2015 with the service commencing in November 2015.

(g) Port Arthur tolls were filed in effect for January 2014 and Houston tolls were filed in effect for July 2016.

IR Number: P66-Husky No. 1.4

Category: Hearing Order No: AO-001-RH-005-2020

Topic: **Keystone Capacity and DRA Utilization**
Keystone Operational Capacity and the Use of DRA

Reference:

(i) Written Evidence of TransCanada Keystone Pipeline Limited Partnership, Filed 22 January 2021, PDF pages 22-24 of 135 (A7Q6W4).

(ii) NEB Reasons for Decision, Decision OH-1-2007, PDF pages 13, 27-30 of 128 (A16511-1).

(iii) NEB Reasons for Decision, Decision OH-1-2008, PDF pages 13-14, 18, 24-27 of 98 (A19308-1).

(iv) Keystone reported monthly operationally available capacity and throughput on the CER website, at: https://www.cer-rec.gc.ca/en/data-analysis/energycommodities/crude-oil-petroleum-products/pipeline-profiles/pipelineprofiles-keystone-pipeline.html

(v) Keystone NEB Tariff No. 34, Effective January 1, 2019, PDF page 2 of 3 (A6K8G4).

Preamble

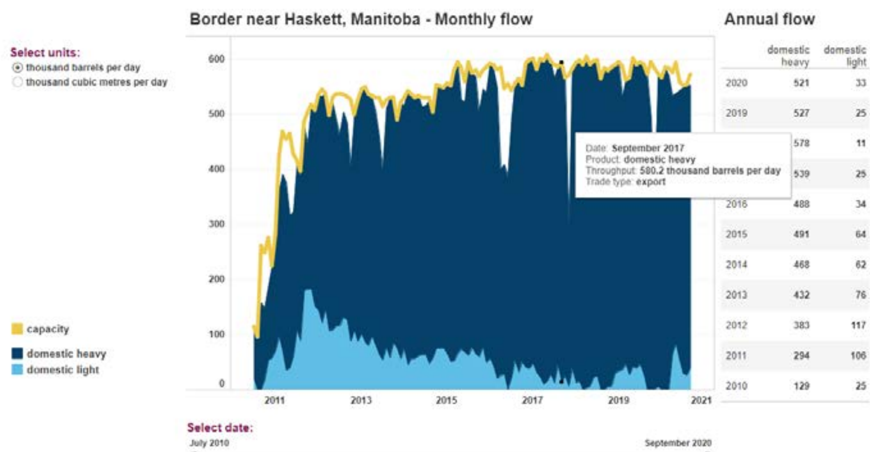
In Reference (i) at PDF pages 22-24 of 135, Keystone states that Drag Reducing Agent ("DRA") is used on Keystone's system to facilitate capacity for Term and Non-Term Shippers.

In Reference (i) at PDF page 23 of 135, Keystone states that "Absent DRA injections in 2020 and 2021, Keystone's total available capacity would have decreased. As a result, Keystone would not have been able to provide the Term Shippers with the capacity required to satisfy their Contract Volumes and the remaining available capacity that is allocated to Non-Term Shippers would have been impacted."

In Reference (ii) at PDF pages 13 and 27-30 of 128, the NEB noted that the planned capacity of Keystone's originally proposed system from Hardisty to Wood River and Patoka Illinois would be 435,000 b/d, with contracted committed capacity to Term Shippers of 340,000 b/d. The NEB also noted that the capital costs associated with this nominal design capacity of 435,000 b/d is to be recovered via a fixed portion of the Committed Toll that would not change over the duration of the length of the contract for the Term Shipper.

In Reference (iii) at PDF pages 13-14, 18, and 24-27 of 98, the NEB noted that the expanded capacity associated with the addition of the pipeline segment from the Kansas/Nebraska border to Cushing Oklahoma and additional pumping stations along Keystone's originally proposed system from Hardisty to Wood River and Patoka Illinois would increase total system capacity from 435,000 b/d to 591,000 b/d, with contracted committed capacity to Term Shippers of 495,000 b/d. The NEB also noted that the capital costs associated with this nominal design capacity of 591,000 b/d is to be recovered via a fixed portion of the Committed Toll that would not change over the duration of the length of the contract for the Term Shipper. The NEB further noted that the fixed portion of the Committed Toll would differ between Term Shippers with the primary delivery point associated with their contract at Wood River or Patoka Illinois and those shippers with the primary delivery point associated with their contract at Cushing Oklahoma.

In Reference (iv), Keystone reported that capacity during the period January 2012 through September 2014 was generally in the range of 500,000 b/d to a maximum of 549,500 b/d. Keystone reported that capacity during the period October 2014 to September 2020 was in the range of 542,800 b/d to 607,900 b/d, with reported available capacity increasing from approximately 530,000 b/d in August 2014 to 594,800 b/d in April 2015. Keystone also reported the throughput associated with heavy or light crude, with an average of 117,000 b/d of light transported in 2012 and an average of 25,000 b/d of light transported in 2019, and an average of 33,000 b/d of light transported in 2020. Keystone also reported an average of 383,000 b/d of heavy transported in 2012 and an average of 527,000 b/d of heavy transported in 2019, and an average of 521,000 b/d of heavy transported in 2020. This is represented visually in the following chart.



In Reference (v) at PDF page 2 of 3, Keystone implemented distinct fixed portions of Committed Tolls for Term Shippers to Wood River of Patoka, Illinois versus to Cushing, Oklahoma versus to Port Arthur or Houston, Texas. Also, on this page, Keystone implements the same variable portion of the Committed Tolls for all Term Shippers whether deliveries are to Wood River, Patoka, Cushing, Port Arthur, or Houston.

Request:

(a) Please provide the date on which Keystone first tested the use of DRA on the Keystone Pipeline System in order to increase available capacity of its system.

(b) Please identify whether, and what proportion of, the apparent increase in reported available capacity that occurred between August 2014 and April 2015, when reported available capacity increased from approximately 530,000 b/d in August 2014 to 594,800 b/d in April 2015, was a result of the use of DRA on the Keystone Pipeline System.

(c) Over the period January 2014 through the most recent month available, please confirm that, absent the use of DRA and without operating pressure restrictions, the base nominal capacity of the Keystone Pipeline System would be consistent with the 591,000 b/d of capacity reported in NEB Decision OH-1-2008.

(i) If there were any periods of reduced operating pressure on the Keystone Pipeline System between Hardisty and Cushing or between Hardisty and Wood River/Patoka during the period January 2014 through the most recent month available, please identify the month with the reduced operating pressure, which segments of the Keystone Pipeline System experienced the reduced operating pressure, and what the available capacity would have been that month absent the use of DRA.

(ii) If there were any periods of reduced operating pressure on the Keystone Pipeline System between Hardisty and Cushing or between Hardisty and Wood River/Patoka during the period January 2014 through the most recent month available, please identify the month, and whether the reduced operating pressure would have resulted in available capacity absent the use of DRA being less than the 495,000 b/d of capacity associated with Term Shippers identified in Reference (iii) and discussed in the preamble above.

(iii) For each of the months with operating pressure reductions, please identify (1) what the capacity of the Keystone Pipeline System from Hardisty to Cushing, from Hardisty to Wood River or Patoka, and from Cushing to Houston/Port Arthur would have been without the use of DRA, (2) what the available capacity was from Hardisty to Cushing and from

Hardisty to Wood River or Patoka was with the use of DRA, and (3) the monthly cost of the DRA injected into the Keystone Pipeline System at points upstream of the international border, between the international border and the Kansas/Nebraska border, at points between the Kansas/Nebraska border and Patoka, at points between the Kansas/Nebraska border and Cushing, and at points from Cushing to Port Arthur.

(d) With respect to Reference (i) at PDF page 23 of 135, please provide all workpapers, schedules, studies, and analyses used to support Keystone's assertion that available capacity would have decreased in 2020 and 2021 absent the use of DRA, the extent to which capacity would have decreased, and evidence that capacity would have been reduced below the level of the Term Shippers' Contract Volumes nominated in each month.

Response:

(a) Please refer to CVR IR 1.1-4.

(b) The CER's process direction provided in section 3.6 of Hearing Order AO - 001 - RH - 005 - 2020 limits information requests to matters relevant to the evidence that has been placed on the record by Keystone or related to one or more of the issues identified. Given that Keystone's evidence and the issues identified by the CER are limited to the 2020 and 2021 Estimated Variable Tolls in Canada, the information requested for years prior to 2020 and not in Canada is not relevant to the issues set out in the proceeding.

(c) Not Confirmed for 2020 and 2021. The nominal capacity is the same but whether the facilities are capable of achieving that capacity over a period of time is dependent on many factors and DRA can mitigate some of those factors. For years prior to 2020 and the Keystone US Pipeline System, refer to b) above

(i) Please refer to CVR IR 1.2 for 2020 and 2021.

(ii) Please refer to CVR IR 1.2 for 2020 and 2021.

(iii) (1) Keystone does not calculate the requested information.

(2) Refer to Keystone Quarterly Surveillance Reports on the CER's website at the following link:
Canada Energy Regulator – REGDOCS - Quarterly Surveillance Reports (cer-rec.gc.ca)

(3) For the Canadian portion, refer to CVR IR 1.2.

(d) Keystone declines to provide this data on the grounds that the request is unreasonable and unduly broad. The time, effort and expense involved in the preparation of a response are not warranted by the relevance, if any, of the information sought, by the significance of that information in the context of the proceeding, or by the probative value of the result. The unqualified breadth of the request lacks appropriate specificity and amounts to a “fishing expedition”.

IR Number: P66-Husky No. 1.5

Category: Hearing Order No: AO-001-RH-005-2020

Topic: **Keystone Capacity and DRA Utilization**
Accounting for DRA Costs

Reference:

(i) Written Evidence of TransCanada Keystone Pipeline Limited Partnership, Filed 22 January 2021, PDF pages 17 to 19 of 135 (A7Q6W4).

(ii) Keystone Pipeline System, Notice of 2019 Final Variable Toll/Rate, PDF page 6 of 7.

Preamble

In Reference (i) Keystone states that "DRA is injected into the Keystone Pipeline to maintain and improve system flow rates and move throughput on behalf of Term and Non-Term Shippers." Keystone acknowledges that "DRA expenditures are estimated and invoiced in similar way as any other expenditure recorded by Keystone with cost recovery in respect of the contracted volumes …"

In Reference (ii), at PDF page 6 of 7, actual DRA costs for 2019 were substantially higher than estimated DRA costs for the same period.

Request:

(a) On a monthly basis from January 2016 to the present, please provide the following data for the Keystone Canada Pipeline:

(i) Incurred DRA commodity costs;

(ii) All costs, other than DRA commodity costs, incurred as a result of acquiring, transporting, storing and/or injecting DRA;

(iii) All category identification information and codes (such as those provided in response to Request 1.6) associated with the amounts provided in response parts (a) and (b) above;

(iv) DRA volume used (in both gallons and litres);

(v) DRA concentration (in parts per million ("PPM"));

(vi) Pressure restrictions, including the cause and duration for each and the actual or projected impact, as applicable, on the pipeline's throughput; and

(vii) The impact of pressure restrictions, including the cause and duration for each and the actual or projected impact, as applicable, on the pipeline's DRA usage.

(b) Please confirm that Keystone assigns its OM&A Costs, including costs related to DRA, on a system-wide, per barrel basis, such that: (1) transportation of a barrel of crude oil pursuant to a TSA is assigned no more than a proportional share of total system OM&A Costs, including costs related to DRA; and (2) transportation of a barrel of crude oil for a Non-Term Shipper is assigned a proportional share of total system OM&A Costs, including costs related to DRA, regardless of whether the uncommitted rates charged for such Non-Term Shipper service actually recover 100 percent of those OM&A Costs. If not confirmed, please provide a narrative explanation of the method for allocating such costs.

(c) Please provide a reconciliation of the estimated DRA Costs included in the Final Variable Toll for 2019 and the DRA Costs included in the 2019 Estimated Variable Toll.

Response:

(a) The CER's process direction provided in section 3.6 of Hearing Order AO-001-RH-005-2020 limits information requests to matters relevant to the evidence that has been placed on the record by Keystone or related to one or more of the issues identified. Given that Keystone's evidence and the issues identified by the CER are limited to the 2020 and 2021 Estimated Variable Tolls, the information requested for years prior to 2020 is not relevant to the issues set out in the proceeding.

(i) Please refer to Attachment CER IR 1.1.a-1 and Attachment CER IR 1.1.a-2.

(ii) Operating expenses related to acquiring, transporting, storing and/or injecting DRA are not tracked or reported separately.

(iii) Please refer to P66-Husky IR 1.6.

(iv) DRA volume used:

- Refer to CVR IR 1.1 for DRA volume in gallons.
- DRA volume in litres:

	2020 Estimate	*2021 Estimate*
DRA consumed (litres)	[redacted]	[redacted]

(v) Please refer to Attachment P66-Husky IR 1.5(a)(v) for DRA concentration.

(vi) Please refer to the response to CVR IR 1.2-1.

(vii) Please refer to the response to CVR IR 1.2-1.

(b) Please refer to CER IR 1.2.

(c) Please refer to Attachment CER 1.1.a-2.

Information Request P66-Husky 1.5
Attachment P66-Husky 1.5(a)(v)

Site	2020 Average PPM Estimate
BELPL	[redacted]
BNDLO	[redacted]
CARMA	[redacted]
CRNDL	[redacted]
HRDSY	[redacted]
HSKTT	[redacted]
KENDL	[redacted]
LKSND	[redacted]
MNTOR	[redacted]
MOSMI	[redacted]
OYENP	[redacted]
PRTLP	[redacted]
REGNA	[redacted]

Site	2021 Average PPM Estimate
BELPL	[redacted]
BNDLO	[redacted]
CARMA	[redacted]
CRNDL	[redacted]
HSKTT	[redacted]
KENDL	[redacted]
MNTOR	[redacted]
MOSMI	[redacted]
OYENP	[redacted]
PRTLP	[redacted]

IR Number: P66-Husky No. 1.6

Category: Hearing Order No: AO-001-RH-005-2020

Topic: **Accounting for Operating Costs**
Keystone Operating Expense Allocation

Reference:

(i) NEB Reasons for Decision, Decision OH-1-2007, PDF page 27 of 128 (A16511-1).

(ii) Keystone Quarterly Surveillance Report, Q4 2019, Filed 2 March 2020, PDF pages 4 and 7 of 9 (A7D7V1).

(iii) NEB Letter Decision, dated 15 October 2010 to TransCanada Keystone Pipeline GP Ltd. re Method of Financial Regulation (A1V3C0).

(iv) CER Filing Manual – Guide P – Tolls and Tariffs.

Preamble

In Reference (i), at PDF page 27 of 128, it is noted that Keystone submitted to the NEB that the variable portion of the Committed Toll is a flow-through of actual operating costs adjusted annually.

In Reference (ii), at PDF page 4 of 9, it is noted that Keystone's total operating costs for the year ended December 31, 2019 were $278,802,000. These operating costs comprised Operating, Maintenance and Admin ($110,790,000), Power ($97,371,000), Municipal Taxes ($10,128), NEB Cost Recovery ($6,628,000) and Depreciation ($53,885,000).

In Reference (ii), at PDF page 7 of 9, the actual annual Keystone pipeline system integrity spending is outlined for the year ended December 31, 2019. Total operating expenses from incurred by the Keystone Pipeline System Integrity program were $16,273,000 and total capital expenditure was $1,703,000.

In Reference (iii), at PDF page 1 of 1, the NEB determined "that Keystone will be regulated as a Group 1 company for financial regulatory purposes."

In Reference (iv), section P.6 provides that, in the face of a complaint, Group 2 companies regulated on a complaint basis are required to provide supporting financial information for their tolls and tariffs, including some or all of the information required of Group 1 companies as specified in sections P.1 to P.5 of Guide P of the Filing Manual.

Request:

(a) Please provide Keystone's audited financial statements (or unaudited statements if audited statements are not available) for years 2016 to 2020. To the extent Keystone's 2020 financial statements will not be available before the deadline to response to this Information Request, please provide such financial statements as soon as they become available.

(b) Please identify each category of information (e.g., account codes, interstate versus-intrastate designations, interprovincial-versus-intraprovincial, United States-versus-Canada designations, locations, cost centers, dates, etc.) employed in Keystone's accounting system for tracking operating expenses for financial reporting purposes—including (but not limited to) the completion of Keystone's CER Annual Surveillance Report from January 1, 2016 to the present. Please also provide a detailed narrative description of each category of information and its purpose in tracking Keystone's operating expenses.

   (i) For each category identified, please provide a list of every code/number/ designation/ classification/ etc. used within the category as well as a brief narrative description of the types of costs recorded to each code/ number/ designation/ classification/ etc.

   Please provide a reference that allows all operating expenses to be linked with their relevant category in Keystone's CER Annual Surveillance Report.

(c) Please provide a database of Keystone's monthly operating costs, separated by CER account code, as well as by any other categories identified in response to (a) for the period January 1, 2016 to the present. Please provide this database in native electronic format such as Microsoft Excel or Access.

   (i) For each database entry, please provide the underlying detailed journal entries relating to the final Variable Rate for all years from January 1, 2016 to the present, including the following information associated with each entry: dollar amount, date/time period, identification of the vendor, CER account code, location identifier, cost center identification, a description of the journal entry, a sub-description of the journal entry, associated detail or tracking number, associated project number, and associated authorization for expenditure ("AFE") number.

(ii) For each database entry, please provide an indication of whether that entry represents a cash amount or an accounting accrual.

(d) Please identify the journal entries that are associated with Keystone's pipeline integrity management program, including but not limited to entries related to pipeline assessment/inspection, excavation, backfill, and repair, replacement, or remediation work.

(e) Please identify any database entries that were capitalized (and not expensed) in whole or in part for financial reporting purposes under Generally Accepted Accounting Principles ("GAAP").

(f) Please provide a list of all expense items not recorded as expenses on Keystone's CER Annual Surveillance Report filings for the years 2016 through 2020, inclusive.

(i) For each such item, please provide the corresponding CER account code and designation under any other categories identified in response to (a).

(g) Please provide a narrative explaining the allocation of expense items not recorded as expenses in Keystone's CER Annual Surveillance Report filings for the years 2016 through 2020, inclusive.

Response:

(a) The CER's process direction provided for in section 3.6 of Hearing Order AO-001-RH-005-2020 limits information requests to matters relevant to the evidence that has been placed on the record by Keystone or related to one or more of the issues identified. Given that Keystone's evidence and the issues identified by the CER are limited to the 2020 and 2021 Estimated Variable Tolls, the information requested for years prior to 2020 is not relevant to the issues set out in the proceeding. Further, it is the estimated toll that is at issue in this proceeding and not the actuals. In any event, the 2020 actuals for the 2020 Final Variable Toll are not yet finalized but will be on or before April 1, 2021.

(b) Keystone declines to provide this data on the ground that the request is unreasonable and unduly broad. The time, effort and expense involved in the preparation of a response are not warranted by the relevance, if any, of the information sought, by the significance of that information in the context of the proceeding, or by the probative value of the result. The unqualified breadth of the request lacks appropriate specificity and amounts to a "fishing expedition".

(c) An annual summary is available in CER IR 1.1. Regarding the requested database, refer to (a) and (b) above.

(d) Please refer to P66-Husky IR1.19(e) and (g).

(e) All of Keystone operating expenses are expensed and not capitalized.

(f) and (g)

All operating expenses are recorded as expenses on Keystone's CER Annual Surveillance Report which are located on the CER's website at the following link: Canada Energy Regulator - REGDOCS - Quarterly Surveillance Reports (cer-rec.gc.ca)

IR Number: P66-Husky No. 1.7

Category: Hearing Order No: AO-001-RH-005-2020

Topic: **Accounting for Operating Costs**
Keystone OM&A Expense Allocation

Reference:

(i) Written Evidence of Keystone, Appendix D, Patoka TSA Canada 2009, Appendix B, PDF page 21 and 104-105 of 135 (A7Q6W4).

(ii) Keystone Pipeline System, Notice of 2019 Final Variable Toll/Rate, PDF page 4 of 7.

Preamble

Reference (i), PDF page 104 of 135, sets out the schedule of tolls and tolling principles for the Canadian section of the Keystone Pipeline System. This reference sets out that for the variable component of the toll, "Shipper shall pay on the Payment Due Date an amount equal to the product of (i)… the Initial Term Variable Toll, (as calculated below)… for the relevant Type(s) of Petroleum, and the relevant Delivery Point, times (ii) the number of kilometers to such Delivery Point, times (iii) (subject to Section 8.1 of the Contract) the Monthly Volume actually Tendered by the Shipper for such Month."

Reference (i), PDF page 104 to 105 of 135, stipulates that Operating, Maintenance and Administration ("OM&A") costs shall include: operating maintenance, administrative and general costs and expenses (including pipeline inspection and pipeline repairs) and other overhead costs or expenses directly allocable to the Pipeline System; property taxes; capital taxes; insurance; power; regulatory costs attributable to changes in laws and regulations (including income taxes based on changes in income tax rates or taxing methodology) that apply to Carrier or the Pipeline System; and all other costs and expenses similar in nature to any of the foregoing.

In Reference (ii), PDF page 4 of 7, the final OM&A expenses (excluding power and property tax costs) attributable to the 2019 Final Variable were reported across six categories of expenses: operational programs, non-ops programs, amortized General Plant Maintenance Capital ("GPMC"), non-amortized GPMC, DRA, and incidents.

In Reference (i), at PDF page 21 of 135, "Keystone submits that it has appropriately applied the approved toll methodology outlined in the NEB Decisions since it began operations in 2010." Disclosure of the allocation of OM&A costs across these relevant categories is required to determine whether CER Tariff No. 44 and CER Tariff No. 50 have been determined in a manner consistent with the approved tolling methodology and TSAs.

Request:

(a) For each month during the period January 1, 2016 to the present, please provide Keystone's actual costs that were or will be used in the development of its Variable Rate for each of the following categories listed below as referenced in the Keystone TSA as OM&A costs directly allocable to the Pipeline System:

(i) Property taxes;

(ii) Capital taxes;

(iii) Insurance;

(iv) Power;

(v) Regulatory costs;

(vi) Costs attributable to changes in laws or regulations (including income taxes based on changes in income tax rates or taxing methodology) that apply to Carrier or the Pipeline System; and

(vii) All other costs and expenses similar in nature to any of the foregoing.

(b) Please provide all workpapers, schedules, studies, and analyses used to develop the monthly amounts for each category provided in response to (a).

(c) With respect to the operating expense database provided in response to Request 1.6, please identify each expense in the database that was (or will be) included in the total monthly costs provided in response to (a).

(d) Please provide a detailed narrative explanation of how overhead costs are allocated or assigned (e.g., direct assignment, Kansas-Nebraska Model, Modified Massachusetts Formula, etc.) from Keystone's parent companies and affiliates (including but not limited to TC Energy) to Keystone in developing Keystone's CER Annual Surveillance Report operating expenses and capital costs.

(e) For the period January 1, 2016 to the present, please provide all overhead costs allocated to Keystone, and any further allocation between Keystone's US and Canadian operations, for purposes of developing its CER Annual Surveillance Report operating expenses and capital costs separated by month, year, CER account number, affiliate/parent company, allocation/assignment methodology, and any other category used to track costs provided in response to (b).

(f) For the period January 1, 2016 to present, please provide all workpapers, schedules, studies, and analyses used to develop the monthly allocations/assignments provided in response to (c).

Response:

(a) For an annual summary of the operating, maintenance and administrative (OM&A) costs, refer to CER IR 1.1. For the remaining information requested, the CER's process direction provided for in section 3.6 of Hearing Order AO-001-RH-005-2020 limits information requests to matters relevant to the evidence that has been placed on the record by Keystone or related to one or more of the issues identified. Given that Keystone's evidence and the issues identified by the CER are limited to the 2020 and 2021 Estimated Variable Tolls, the information requested for years prior to 2020 is not relevant to the issues set out in the proceeding. Further, it is the estimated toll that is at issue in this proceeding and not the actuals. In any event, the 2020 actuals for the 2020 Final Variable Toll are not yet finalized but will be on or before April 1, 2021.

(b) With respect to the request for "all workpapers, schedules, studies and analyses…", Keystone declines to provide any and all such documents on the ground that the request is unreasonable and unduly broad. The time, effort and expense involved in the preparation of a response are not warranted by the relevance, if any, of the information sought, by the significance of that information in the context of the proceeding, or by the probative value of the result. The unqualified breadth of the request lacks appropriate specificity and amounts to a "fishing expedition".

(c) Please refer to (a) above.

(d) Please refer to Attachment P66-Husky IR 1.7d-1.

(d) and (f)

Please refer to (a) and (b) above.

Information Request P66-Husky 1.7
Attachment P66-Husky 1.7d-1

TC ENERGY COST ALLOCATION

PURPOSE AND SCOPE

The purpose of this Cost Allocation document is to outline the principles and framework for how TC Energy Corporation (TC Energy) allocates costs. This includes allocation of centralized corporate support functions to the business units, and intra business unit allocations.

All departmental and general expenses incurred by corporate support functions are in scope of this framework. These principles apply to all lines of business and corporate functions.

This framework replaces the existing "Operating Cost Allocation Policy" dated March 2013.

OVERVIEW OF TC ENERGY'S OPERATIONS AND ORGANIZATIONAL STRUCTURE

With over 65 years of experience, TC Energy is a leader in the responsible development and reliable operation of North American energy infrastructure including natural gas and liquids pipelines, power generation and natural gas storage facilities. TC Energy operates under five Business Units (BUs) – Canadian Natural Gas Pipelines, U.S. Natural Gas Pipelines, Mexico Natural Gas Pipelines, Liquids Pipelines, and Energy. These businesses operate throughout Canada, the United States and Mexico in both regulated and non-regulated environments. We also have a nonoperational Corporate segment consisting of corporate and administrative functions that provide support and governance to our operational BUs and the corporation as a whole.

Certain support functions such as financial services, engineering, legal and supply chain are embedded within each BU to the extent that the support provided is dedicated to a single BU and where centralized delivery is not required for governance or efficiency purposes. These support functions are included as part of the BU direct costs for management reporting purposes.

There are a number of administrative and governance activities that are either not embedded or are only partially embedded within the BUs. These groups provide services and support the organization as a whole. Centrally managed corporate support groups include the following:

- Technical Centre – Engineering & Construction Management, and Safety & Quality & Compliance
- CFO – Accounting, Finance and Treasury, Taxation, Risk Management, and Capital Markets
- Corporate Services – Human Resources, Information Services, Facilities Services, Supply Chain, and Aviation

TC Energy

- Strategy & Corporate Development
- Stakeholder Services and General Counsel – Legal, Internal Audit & Compliance, Public Affairs & Communications, and Environment & Land & Indigenous Relations

ALLOCATION PRINCIPLES

Objective of Allocating Costs
Net corporate support costs, after reductions for internal labour charged directly to the cost centres/cost objects within BUs via timesheets, are allocated to the lines of business (LOBs) in order to reflect the true costs and profitability of running the business, make informed decisions, and to move costs to the correct legal entities for regulatory and tax purposes. Management's objective for the allocation of costs is to be:

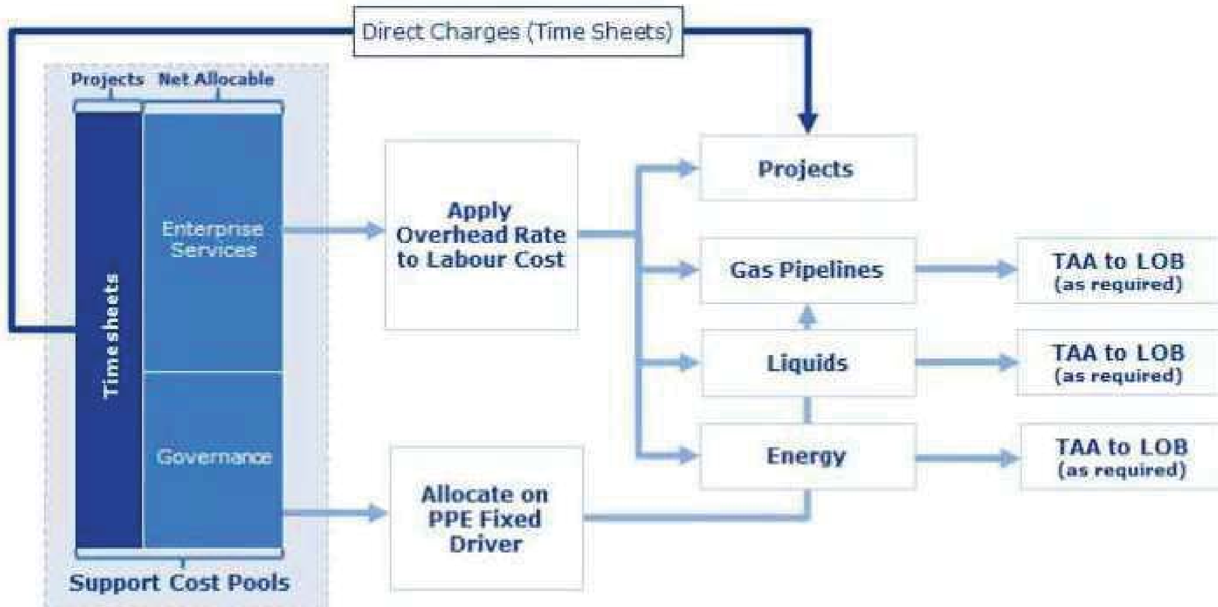
- Fair and accurate - Allocation is based on benefits, usage or cost of corporate services provided to the BUs and avoids cost subsidization across the different LOBs. Where there is no direct link between the cost of support services and usage by the LOBs, costs are allocated using a simple and predictable methodology that is applied consistently throughout the company.
- Simple and efficient - Low level of administrative effort is required to calculate and perform Allocations
- Understandable and visible - Cost allocation framework is documented and the BUs understand the methodology and impact of allocated costs. Reporting of allocated costs is available and provided at the appropriate level of detail for internal and external stakeholders, including regulators

Guiding Principles
The allocation methodology is built on three key principles:

1. Increase the proportion of direct costs controlled by the BUs, thereby decreasing the total costs allocated by centralized support groups
   - Embedding support functions within the BUs to the extent possible ensures that there is no cross-subsidization between regulated and non-regulated businesses
2. Where corporate support activities can be specifically attributed to a particular LOB, internal labour should be charged to cost objects (projects, internal orders, etc.) in that BU using timesheets
3. Allocate the remainder of the corporate support costs based on a simple and predictable Methodology
   - The residual costs that remain in the corporate cost pools are for services that support the company as a whole and cannot be attributed to any one particular LOB

ALLOCATION FRAMEWORK

TC Energy has selected a framework ensuring that the method used to allocate costs meets the principles and objectives described above. As such, there are two primary cost pools to be allocated to move costs from corporate to the BUs: Enterprise Services, and Governance.



Direct Charges to Projects, Cost Objects

TC Energy's policy is to charge costs to cost objects within the BUs when costs can be directly attributed to a particular LOB. Employees and Contingent Workers charge to project(s) and other cost object(s) where they have a direct line of sight to the project/order they are supporting. These time charges must adhere to TC Energy's Capitalization policy as well as the Labour Charge-out Principles.

Timesheets are completed to move labour costs for time spent on projects (capital and expense), as well as internal and statistical orders. Time is valued at a standard labour rate and burdened with overhead, using the overhead rate described in the following section of this document.

Enterprise Services Allocation

Corporate support costs in the Enterprise Services pool are allocated monthly to the cost centre level within each of the BUs based on fully burdened labour cost multiplied by a set overhead rate. Any difference between actual Enterprise Services costs and the amount allocated using the set overhead rate is allocated to LOBs periodically based on the proportionate share of fully burdened internal labour charged to BU operations and capital.

Governance Allocation

The costs within the Governance cost pool are allocated to the lines of business based on the value of in-service gross property, plant and equipment (PP&E) employed on a monthly basis. Gross PP&E is the historical price of an asset without any depreciation deducted.

Intra-Business Unit Allocation

The BUs have the ability to move their directly incurred costs (including overhead) to the correct LOB within a single BU. This intra-business unit allocation is done primarily for tax and regulatory purposes and to refect the full cost of each LOB/asset. Intra-business unit allocations are allocated based on Time Activity Analysis (TAA). The percentage of time a cost centre has spent on activities related to each individuals LOB within a specific business unit is called the TAA rate. TAA rates are updated on a periodic basis by the Cost Centre owners. The total costs charged to a cost centre will be allocated to each LOB using the TAA rate.

Note: Only intra-business unit allocations are allowable via TAA. If internal labour costs need to move from one business unit to another, a direct charge via timesheet must be made.

Types of Costs that are allocated

Cost centres included in both the Enterprise Services and Governance cost pool are made up of departmental costs including employee salaries and benefits, employee expenses, consulting, and third party costs. They also include certain general expenses incurred to maintain operations of the business that are not directly attributable to a corporate business group or LOB. These general expenses include rent, external audit and accounting services, outside legal services, donations, insurance, directors' fees, etc.

Cost Pools

Corporate costs to be allocated to the BUs are primarily segregated into two cost pools; an Enterprise Services pool and a Governance pool, based on the nature of the costs.

- Enterprise Services Pool

The Enterprise Services pool includes costs that provide support services to all of TC Energy's operated businesses as well as capital/expense projects. The residual costs that remain in this pool after direct charges to the BUs cannot be directly attributed to supporting a particular BU or LOB.

- Governance Pool

The Governance pool includes costs that are primarily incurred due to the fact that TC Energy is a public corporation. This cost pool includes such functions as External Financial Reporting, Internal Audit/SOX, Corporate Secretary and Executive Administration. This cost pool also includes corporate support costs that cannot be capitalized in accordance with U.S. GAAP.

Allocation Methodology of Enterprise Services and Governance Costs

Enterprise Services: Corporate Support (Overhead) Rate

The Enterprise Services cost pool is allocated through the use of an overhead rate applied to the cost of internal labour (Employee and Contingent Workforce). Once per year at the time the annual Plan is set for the next fiscal year, the Corporate Support (Overhead) rate for the Enterprise Services cost pool is calculated as follows:

$$\text{Corporate Support (Overhead) rate} = \frac{\text{Plan Net Allocable Cost of the Enterprise Cost Pool}}{\text{Plan Total Internal BU and Capitalized Labour Cost}}$$

The rate is monitored on a quarterly basis. If the most recent forecast indicates that a change in the Corporate Support rate is required, it will be reset and applied at the new rate on a prospective basis. This rate is applied to labour charges (time x standard labour rate) to capital projects as well as to all BU operating labour at the cost centre level.

Any difference between actual Enterprise Services costs and the amount allocated using the set overhead rate is allocated to lines of business periodically based on the proportionate share of fully burdened internal labour charged to BU operations and capital. These periodic adjustments are subject to the approval of the Vice President & Controller.

Governance: Gross Property, Plant and Equipment (PP&E)
The Governance cost pool is allocated on a monthly basis to the LOB's within the BUs according to a particular LOB's proportionate share of the gross value of PP&E employed.

The Governance driver is calculated as (a) / (b), where:

(a) = Gross PP&E of the particular LOB, with TC Energy's ownership interested reflected
(b) = Total consolidated PP&E with TC Energy's ownership interest in all assets reflected

The percentages that result from this calculation are then applied to the Governance costs to determine the allocation across the LOBs.

GLOSSARY

Term	Definition
Business Unit (BU)	TC Energy has five business units – Canadian Natural Gas Pipelines, U.S. Natural Gas Pipelines, Mexico Natural Gas Pipelines, Liquids Pipelines and Energy
Corporate Support Costs	Costs incurred in the non-embedded groups within CFO, Corporate Services, Stakeholder Services & General Counsel, Techincal Centre,

	and Strategy and Corporate Development. Corporate supports costs are made up of the total of Enterprise Services and Governance costs
Enterprise Services Costs	Costs for groups that provide support services to all of TC Energy's operated businesses as well as capital/expense projects, where it is difficult to apportion costs across the lines of business
Governance Costs	Costs required to maintain or govern TC Energy Corporation, but where it is not possible to draw a direct relationship to the lines of business
Embedded Cost Centres	Cost Centres (such as Accounting, Supply Chain, and Legal) that provide a support function to specific Business Units
Line of Business (LOB)	Groupings of commercial/projects/operations functions within a BU. Multiple LOBs exist within each BU. A LOB may represent a specific asset or an area of responsibility within a BU.
Time Activity Analysis (TAA)	An estimate (%) of employee and contractor labour hours in support of the various LOBs within a Business Unit.
Standard Labour Rate (SLR)	A standardized labour rate calculated for each job role in the company which is used to attribute a cost to internal labour time charges. The SLR that incorporates an applicable base salary (guidepost), incentive compensation and a direct and indirect benefit rate.
Contingent Workforce	Non-permanent labour/Contractors

IR Number: P66-Husky No. 1.8

Category: Hearing Order No: AO-001-RH-005-2020

Topic: **Accounting for Operating Costs**
Variance in Keystone OM&A Expenses

Reference:

(i) Keystone Pipeline System, Notice of 2019 Final Variable Toll/Rate, PDF page 3 of 7.

(ii) Keystone Quarterly Surveillance Report, Q4 2019, Filed 2 March 2020, PDF page 4 of 9 (A7D7V1).

(iii) Keystone Pipeline System, Notice of 2018 Final Variable Toll/Rate, PDF page 1 of 1.

(iv) Keystone Quarterly Surveillance Report, Q4 2018, Filed 1 March 2019, PDF page 4 of 9 (A98117).

(v) Keystone Pipeline System, Notice of 2020 Estimated Variable Toll/Rate, PDF page 1 of 1 (filed in paper-only, A7C2F6).

Preamble

In Reference (i), PDF page 3 of 7, the actual OM&A expenses for the Canadian section of the pipeline in 2019 were substantially higher than the expected expenses for this same period.

In Reference (ii), PDF page 4 of 9, total operating costs reported by Keystone to the CER for the year ended December 31, 2019 $278.8 million. The total operating expenses excluding depreciation were $224.9 million.

In Reference (iii), PDF page 1 of 1, the actual OM&A expenses for the Canadian section of the pipeline in 2018 were substantially higher than the expected expenses for this same period.

In Reference (iv), PDF page 4 of 9, total operating costs reported by Keystone to the CER for the year ended December 31, 2018 $245.4 million. The total operating expenses excluding depreciation were $191.0 million.

In Reference (v), estimated 2020 OM&A costs included as part of the Variable Toll for the Canadian section of the Keystone pipeline were substantially higher in 2020 compared with 2019.

Request:

(a) For the period January 1, 2016 to December 31, 2019, please provide a reconciliation of the final OM&A Costs associated with committed service in the Notice of Final Variable Tolls/Rates document with the OM&A Costs reported in the corresponding CER Annual Surveillance Report filings.

(b) Keystone's 2020 Notice of Estimated Variable Tolls/Rates at Reference (v), shows a substantial variance in OM&A costs from 2019 to 2020:

(i) Please provide a reconciliation of the estimated OM&A Costs associated with committed service in the column labeled "2019 Filed" in the Notice of 2020 Estimated Variable Tolls/Rates document with the OM&A Costs reported in the corresponding CER Annual Surveillance Report filing.

(ii) Please provide the same reconciliation requested in part (a) of this request for Keystone's 2021 Notice of Estimated Variable Tolls/Rates.

(c) Please provide the general ledger, expense database, or other underlying documentation for the OM&A Costs incurred by Keystone by CER Account as found in the 'Income Summary' of Keystone's CER Quarterly Surveillance Report for 2016 through 2019 inclusive.

(i) Please provide the general ledger, expense database, or other underlying documentation for the above-referenced OM&A Costs incurred by Keystone as expressed in its GAAP books.

(d) Please provide the workpapers underlying Keystone's estimated Variable Rate from January 1, 2016 to the present, including any general ledger, expense database, or other underlying documentation for the OM&A Costs included in the Variable Rate estimate for each calendar year from 2016 to 2021.

Response:

(a) Please refer to the response to CER IR 1.2. In response to the information requested from January 1, 2016 to December 31, 2019, the CER's process direction provided for in section 3.6 of Hearing Order AO-001-RH-005-2020 limits information requests to matters relevant to the evidence that has been placed on the record by Keystone or related to one or more of the issues identified. Given that Keystone's evidence and the issues identified by the CER are limited to the 2020 and 2021 Estimated Variable Tolls, the information requested for years prior to 2020 is not relevant to the issues set out in the proceeding. Further, it is the estimated toll that is at issue in this proceeding and not the actuals. In any event, the 2020 actuals for the 2020 Final Variable Toll are not yet finalized but will be on or before April 1, 2021.

(b) Please refer to the response to CER IR 1.2.

(c) and (d)

With respect to the request for “the general ledger, expense database, or other underlying documentation…” and “workpapers underlying Keystone’s estimated Variable Rate”, Keystone declines to provide any and all such documents on the ground that the request is unreasonable and unduly broad. The time, effort and expense involved in the preparation of a response are not warranted by the relevance, if any, of the information sought, by the significance of that information in the context of the proceeding, or by the probative value of the result. The unqualified breadth of the request lacks appropriate specificity and amounts to a “fishing expedition”.

Further, CER’s process direction provided for in section 3.6 of Hearing Order AO-001-RH-005-2020 limits information requests to matters relevant to the evidence that has been placed on the record by Keystone or related to one or more of the issues identified. Given that Keystone’s evidence and the issues identified by the CER are limited to the 2020 and 2021 Estimated Variable Tolls, the information requested for years prior to 2020 is not relevant to the issues set out in the proceeding.

IR Number: P66-Husky No. 1.9

Category: Hearing Order No: AO-001-RH-005-2020

Topic: **Accounting for Operating Costs**
Accounting for Power Costs

Reference:

(i) Written Evidence of Keystone, Appendix D, Patoka TSA Canada 2009, Appendix B, PDF pages 104-105 of 135 (A7Q6W4).

(ii) Keystone Quarterly Surveillance Report, Q4 2019, Filed 2 March 2020, PDF pages 4 and 7 of 9 (A7D7V1).

(iii) Keystone Quarterly Surveillance Report, Q4 2018, Filed 1 March 2019, PDF pages 4 and 7 of 9 (A98117).

Preamble

In Reference (i), PDF pages 104-105 of 135, power costs are included as an operating cost that is incorporated in the Variable Toll.

In Reference (ii), at PDF page 4 of 9 the total power cost for the year ended December 31, 2019 were $97,371,000. At PDF page 9 of 9, $42,599,000 of these 2019 power costs were paid to a related entity, TransCanada Energy Ltd.

In Reference (iii), at PDF page 4 of 9 the total power cost for the year ended December 31, 2018 were $101,360,000. At PDF page 9 of 9, $57,924,000 of these 2018 power costs were paid to a related entity, TransCanada Energy Ltd.

Request:

(a) Please provide incurred power costs and power usage per month (in kilowatt hours (“kWh”)).

(b) Please provide the power cost (in kWh) for energy purchased from each power generator, including TransCanada Energy Ltd.

Response:

(a) and (b)

Refer to Attachment CER IR 1.1.a-1 for additional information. 2018 and 2019 power costs are not relevant in calculating the 2020 and 2021 Keystone Estimated Variable Tolls. The CER’s process direction provided for in section 3.6 of Hearing Order AO-001-RH-005-2020 limits information requests to matters relevant to the evidence that has been placed on the record by Keystone or related to one or more of the issues identified. Given that Keystone’s evidence and the issues identified by the CER are limited to the 2020 and 2021 Estimated Variable Tolls, the information requested for years prior to 2020 is not relevant to the issues set out in the proceeding. Further, it is the estimated toll that is at issue in this proceeding and not the actuals. In any event, the 2020 actuals for the 2020 Final Variable Toll are not yet finalized but will be on or before April 1, 2021.

IR Number: P66-Husky No. 1.10

Category: Hearing Order No: AO-001-RH-005-2020

Topic: **Accounting for Operating Costs**
Accounting for General Plant Maintenance Capital

Reference:

(i) Written Evidence of TransCanada Keystone Pipeline Limited Partnership, Filed 22 January 2021, PDF pages 5-7 and 11-15 of 135 (A7Q6W4).

(ii) Keystone Pipeline System, Notice of 2019 Final Variable Toll/Rate, PDF page 4 of 7.

(iii) Written Evidence of Keystone, Appendix D, Patoka TSA CDN 2009, PDF pages 104-107 of 135 (A7Q6W4).

Preamble

In Reference (i), PDF pages 5 to 7 of 135, General Plant Maintenance Capital ("GPMC") is included as an OM&A cost by Keystone, as shown in Table 2-1.

In Reference (i), PDF pages 11 to 15 of 135, Keystone explains the amortization of non-routine adjustments (NRA) as follows: "Once the costs are finalized and Keystone identifies non-routine costs, which exceed CDN $2,000,000, Keystone will then categorize the costs for NRA treatment. If identified, Keystone provides notice to Term Shippers of any NRA costs and consults with them as to a reasonable allocation of NRA costs into the Variable Toll. All NRA costs are amortized in accordance with good accounting practices and added into the Variable Toll in subsequent applicable years following the year in which the NRA costs were incurred. The overall goal of the NRA mechanism is to minimize the toll impact associated with material non-routine costs."

In Reference (ii), PDF page 4 of 7, the costs associated with GPMC included in the 2019 Final Variable Toll comprised two categories: NRAs, and non-NRA GPMC.

In Reference (iii), PDF pages 104 to 107 of 135, it is explained that Keystone is required to provide prompt notice to Shippers of any NRA and consult with the Term Shippers as to a reasonable allocation of this NRA into the Interim Term Variable Toll and the Initial Term Variable Toll, as applicable. Disclosure of the allocation of NRA costs is required to determine whether CER Tariff No. 44 and CER Tariff No. 50 have been determined in a manner consistent with the approved tolling methodology and TSAs.

Request:

(a) Please provide a list of all GPMC items that were (or will be) included in Keystone's Variable Rate during the period January 1, 2016 to the present. Please separate those costs per the following:

  (i) Month;

  (ii) Year;

  (iii) CER account number;

  (iv) Location; and

  (v) Any other category identified in response to Request 1.6.

(b) Please provide all workpapers, schedules, studies, and analyses used to develop the GPMC costs provided in response to (a).

(c) With respect to the capital costs database provided in response to (a), please identify each cost in the database that was (or will be) included in the GPMC costs provided in response to (b).

(d) Please provide a list of each maintenance cost and expense associated with any single expenditure, or expenditures with respect to the same or a common matter or project, exceeding U.S. $2,000,000 from January 1, 2016 to the present. For each item in the list, provide:

  (i) A detailed narrative description of each common matter or project for which the expenditure or group of related expenditures was incurred;

  (ii) The year(s) and month(s) in which the expenditure or group of expenditures were incurred; and

  (iii) Indicate whether each expenditure or group of related expenditures was treated and identified by Keystone as an NRA under Keystone's tariff.

(e) Please provide all workpapers, schedules, studies and analyses used to develop the amounts for each expenditure or group of related expenditures identified and described in response to (d).

(f) With respect to the operating expense database provided in response 1.6, please identify each expense in the database that was (or will be) included in each expenditure or group of expenditures provided in response to (d).

(g) With respect to each expenditure or group of expenditures provided in response to (d), please provide the applicable amortization period (in months) used (or to be used) to amortize such amounts in developing Keystone's Variable Rate from January 1, 2016 to the present.

(h) Please provide all correspondence between Keystone and the Term Shippers that provided notice of the inclusion of NRA as part of Variable Tolls and consultation with the Term Shippers on the reasonable allocation of such costs into the Variable Tolls affecting tolls from January 1, 2016 to the present.

Response:

(a) Please refer to Attachment P66-Husky 1.10a-1. for a list of general plant maintenance capital (GPMC) projects that were included in Keystone's Estimated Variable Tolls for 2020 and 2021. Any costs incurred in the current year related to an estimated non-routine adjustment (NRA) will be added into the Variable Toll in the following and subsequent years, as applicable. In the 2020 Estimated Variable Toll, there were no new NRAs, however, additional NRAs were added in the 2021 Estimated Variable Toll.

For years prior to 2020, the CER's process direction provided for in section 3.6 of Hearing Order AO-001-RH-005-2020 limits information requests to matters relevant to the evidence that has been placed on the record by Keystone or related to one or more of the issues identified. Given that Keystone's evidence and the issues identified by the CER are limited to the 2020 and 2021 Estimated Variable Tolls, the information requested for years prior to 2020 is not relevant to the issues set out in the proceeding. Further, it is the estimated toll that is at issue in this proceeding and not the actuals. In any event, the 2020 actuals for the 2020 Final Variable Toll are not yet finalized but will be on or before April 1, 2021.

(b) With respect to the request for "all workpapers, schedules, studies and analyses…", Keystone declines to provide any and all such documents on the ground that the request is unreasonable and unduly broad. The time, effort and expense involved in the preparation of a response are not warranted by the relevance, if any, of the information sought, by the significance of that information in the context of the proceeding, or by the probative value of the result. The unqualified breadth of the request lacks appropriate specificity and amounts to a "fishing expedition".

(c) Please refer to the GPMC costs included in (a) above.

(d) Please refer to (a) above.

(i) Please refer to Attachment P66-Husky 1.10a-1

ii) and iii) Please refer to Attachment P66-Husky 1.10a-1. NRAs will be amortized in each variable toll year following the inclusion of the costs. NRA costs incurred in 2020 will not be included in the 2020 Estimated Variable Toll.

(e) Please refer to (b) above.

(f) Please refer to P66-Husky IR No 1.6.

(g) Please refer to Attachment P66-Husky 1.10a-1.

(h) Please refer to Attachment CER IR 1.4b.

Information Request P66-Husky 1.10
Attachment P66-Husky 1.10a-1

General Plant Maintenance Costs (GPMC) - 2020 Estimated Variable Tolls

Line No.	Description	Amount	Notes:
	Keystone Canada		
1	2018CO KSCAD SF6 Breaker Electrical Heat	$[redacted]	
2	2018CORO KSCAD HMI & Cybersecurity Imple	$[redacted]	
3	2018CORO KSHT-B HMI & Cybersecurity Impl	$[redacted]	
4	2018CO KSCAD Laksend Check Valve Operato	$[redacted]	
5	2018CO KSCAD HVAC Access Platform Constr	$[redacted]	
6	2019CORO KSCAD GE Connection Box Retrofi	$[redacted]	
7	2020 LFO-CAN Fleet Vehicle (VT)	$[redacted]	
8	2020 LFO-CAN Ops T&WE Initiative (VT)	$[redacted]	
9	2020 KeyCAN CP Remedial Prog (VT)	$[redacted]	(a)
10	2020 KSCAN LFEP Facilities GPMC (VT)	$[redacted]	(b)
11	Subtotal	$[redacted]	
12	[redacted] ([redacted] %)	$[redacted]	
13	Total GPMC - Keystone Canada	$12,922,984	
14	Items that were a part of GPMC but classified as NRA:		
15	NETFLEX Liquids-CA Cap Keystone Lifecycle	$2,168,303	(c)
16	Pump Station Improvements for the DRA skids	$2,739,733	(d)
	Total NRA	$4,908,036	

Description Notes:

(a) Project to identify forecast 2020 expenditures related to pipeline cathodic protection remediation. This is a routine, recurring maintenance program and therefore is not treated as an NRA.

(b) Project to identify forecast 2020 expenditures related to field engineering projects. There are several individual initiatives that are consolidated within this project and no single initiative exceeds $2,000,000. Costs in this project are considered routine annual maintenance activities, with no individual initiative exceeding $2,000,000; therefore, it is not treated as an NRA.

(c) Multi-year corporate-wide project to upgrade aging field network infrastructure at communicating field facilities that are at risk of SCADA, measurement and/or emergency communications failures. The costs of this multi-year project for Keystone Canada exceed $2,000,000 million, are non-routine in nature and therefore are will be treated as an NRA in subsequent years. Since classified in the estimate as a NRA, these costs were included in the subsequent year(s) variable toll

(d) Pump Station Improvements for DRA Injection: work to prepare the sites for the DRA skids, running electrical cabling to the pumps and welding connections from tank to the pipeline facilities and will be treated as a NRA. Since classified in the estimate as a NRA, these costs were included in the subsequent year(s) variable toll

General Plant Maintenance Costs (GPMC) - 2021 Estimated Variable Tolls

Line No.	Description	Amount	Notes:
	Keystone Canada		
1	2021MC KSCAN Dig Program	$[redacted]	(e)
2	OE025587 - PI2020CO KSCAD CP Remedial SK	$[redacted]	
3	2021MC PI KSCAN Remediation	$[redacted]	(f)
4	HMI/PLC/Cybersecurity Upgrade Implementation (Carryover)	$[redacted]	
5	2021 KSCAD CLFO Tools & Work Equipment	$[redacted]	
6	TC Flow Loop	$[redacted]	
7	Electrical Protection & Controls Turnaround	$[redacted]	
8	Hardisty Pump Isolation Valves	$[redacted]	
9	OE018329 - 2018CO KSCAD SF6 Breaker Electrical Heat	$[redacted]	
10	HVAC Enhancements and Telecom Cabling Addition (Carryover)	$[redacted]	
11	2021 CLFO Keystone Cad Capital Vehicle Budget	$[redacted]	
12	Subtotal	$[redacted]	
13	[redacted] ([redacted]%)	$[redacted]	
14	Total GPMC - Keystone Canada	$10,726,921	

Description Notes:

(e) Project to identify forecast 2021 expenditures for pipeline repair and preventive maintenance activities that qualify as capital. There are several individual initiatives that are consolidated within this project and no single initiative exceeds $2,000,000. Costs in this project are considered routine annual maintenance activities, with no individual initiative exceeding $2,000,000; therefore, it is not treated as an NRA.

(f) Project to identify forecast 2021 expenditures related to pipeline cathodic protection remediation. This is a routine, recurring maintenance program and therefore is not treated as an NRA.

NRA's included in 2020 Estimated Variable Tolls

Existing NRAs

Project	Year Incurred	CAPEX	AFUDC 1	GPIS	Amort. Period	Total	Start Year
NEB Back-up Generators	2013-2014	9,000	664	9,664	20	1,034	2014
PCV LTD	2014-2016	12,561	543	13,104	20	1,444	2016
SCADA	2016	5,395	179	5,574	5	1,404	2017
NETFLEX	2018-2019	4,946	329	5,275	5	1,245	2019
		31,902	1,715	33,617		5,127	

Descriptions:

NEB Back-up Generators: NEB directed Keystone (Order SO-T241-002-2012) to install an alternative source of power for all pump stations.

Pressure Control Valves (PCV): Multi-year program to install valves to reduce excessive vibration/cavitation with the goal to increase operational flexibility and reduce DRA costs.

SCADA Program: Multi-year program to update SCADA and Leak Detection systems software

NETFLEX Program: Multi-year program that upgrades software and hardware for cyber security and connectivity at pump stations and remote mainline valves.

NRA's included in 2021 Estimated Variable Tolls

Existing NRAs

Project	Year Incurred	CAPEX/Expense	AFUDC 1	GPIS	Amort. Period	Total	Start Year
NEB Back-up Generators	2013-2014	9,000	664	9,664	20	1,034	2014
PCV LTD YE 2016	2014-2016	12,561	543	13,104	20	1,444	2016
SCADA (2016)	2016	5,395	179	5,574	5	1,404	2017
NETFLEX (2018) - 2018-2019 Spend	2018-2019	5,540	39	5,579	5	1,405	2019
		32,496	1,424	33,921		5,287	

New/Updated NRAs

Project	Year Incurred	CAPEX/Expense	AFUDC 1	GPIS	Amort. Period	Total	Start Year
NETFLEX (2018) - 2020 Spend	2020	2,168	105	2,273	5	572.6	2021
Pump Station Improvements for the DRA skids	2018-2020	2,740	619	4,401	10	516.9	2021
Enhancement PI Program 2020 Spend - Expense**	2020	6,611	-	-	3	2,533	2021
Enhancement PI Program 2020 Spend - Capital **	2020	4,361	59	4,420	3	1,694	2021
		15,879	783	11,094		5,316	
						10,604	

Descriptions:

NETFLEX Program: Multi-year program that upgrades software and hardware for cyber security and connectivity at pump stations and remote mainline valves.

Pump Station Improvements for DRA Injection: work to prepare the sites for the DRA skids, running electrical cabling to the pumps and welding connections from tank to the pipeline facilities.

Pipeline Integrity Enhancement Program: Critical element of the Pipeline Integrity program that supports continuous evaluation and improvement of the integrity of the Keystone system.

** Not a part of GPMC cost but Pipe Integrity program included in NRAs 2021 Estimated Variable Toll

IR Number: P66-Husky No. 1.11

Category: Hearing Order No: AO-001-RH-005-2020

Topic: **Accounting for Capital Costs**
Categories and Database of Monthly Capital Costs

Reference:

(i) Written Evidence of TransCanada Keystone Pipeline Limited Partnership, Filed 22 January 2021, PDF page 3 of 135 (A7Q6W4).

(ii) Written Evidence of Keystone, Appendix D, Patoka TSA Canada 2009, Appendix B, PDF pages 102-106 of 135 (A7Q6W4).

Preamble

As outlined in Reference (i), PDF page 3 of 135, "Keystone took on financial risk by offering the Fixed Toll component and assumed the risk associated with uncontracted capacity and a portion of the construction costs should there be capital overruns."

As explained in Reference (ii), PDF pages 102-106 of 135, the only costs that should be included as part of the Variable Toll are OM&A costs, whereas capital costs are only to be included in the Fixed Toll. Information regarding the determination of capital costs, and whether costs have been reasonably categorized as capital versus expense items, is required to determine whether CER Tariff No. 44 and CER Tariff No. 50 have been determined in a manner consistent with the approved tolling methodology and TSAs.

Request:

(a) Please identify each category of information (*e.g.*, account numbers, interstate-versus-intrastate designations, interprovincial-versus-intraprovincial designations, United States-versus-Canada designations, locations, dates, etc.) recorded in Keystone's accounting system for capital costs tracked for purposes of completing Keystone's CER Annual Surveillance Report from January 1, 2016 to the present. Please also provide a detailed narrative description of each category of information and its purpose in tracking Keystone's capital costs.

   (i) For each category identified, please provide a list of every code/number/ designation/ classification/ etc. used within the category as well as a brief narrative description of the types of costs recorded to each code/ number/ designation/ classification/ etc.

(b) Please provide a database of Keystone's monthly capital costs, separated by CER account number, as well as any other categories identified in response to (a) for the period January 1, 2016 to the present. Please provide this database in native electronic format such as Microsoft Excel or Access.

(c) Please provide any policies, manuals, procedures or other documents created from January 1, 2016 to the present addressing when to capitalize or expense any costs, including those associated with the costs included in the Estimated and Final Variable Toll/Rates, for both GAAP and CER Uniform System of Accounts purposes.

Response:

(a) The CER's process direction provided for in section 3.6 of Hearing Order AO - 001 - RH - 05 - 2020 limits information requests to matters relevant to the evidence that has been placed on the record by Keystone or related to one or more of the issues identified. Given that Keystone's evidence and the issues identified by the CER are limited to the 2020 and 2021 Estimated Variable Tolls in Canada, the information requested for years prior to 2020 and outside of Canada is not relevant to the issues set out in the proceeding. Further, it is the estimated toll that is at issue in this proceeding and not the actuals. In any event, the 2020 actuals for the 2020 Final Variable Toll are not yet finalized but will be on or before April 1, 2021.

Also, Keystone declines to provide this data on the ground that the request is unreasonable and unduly broad. The time, effort and expense involved in the preparation of a response are not warranted by the relevance, if any, of the information sought, by the significance of that information in the context of the proceeding, or by the probative value of the result. The unqualified breadth of the request lacks appropriate specificity and amounts to a "fishing expedition".

(b) Please refer to (a) above.

(c) Please refer to Attachment P66-Husky IR 1.11c.

Information Request P66-Husky 1.11
Attachment P66-Husky 1.11c

TransCanada Liquids Pipeline
Capitalization Guidelines
Revision date: Feb 2019

Transmission Plant Additions New Facility / Addition to Existing Facility	Capitalize if: • > $5,000 and useful life > 1 year and • Must be a complete unit of plant or a minor item of additional plant not constituting a replacement.
Transmission Plant Replacements / Upgrades	Retirement must be included in the capital add project where the asset is being replaced.
Pipe Replacement	Capitalize if > 12 meters in length Generally costs incurred to assess condition are expensed.
Pipe recoating (cathodic protection)	Capitalize if > 12 meters in length Generally costs incurred to assess condition are expensed.
Facilities Replacement	Capitalize if: • Entire unit of plant is replaced: • $5,000 and useful life > 1 year.

Major renewal/Betterment to unit of Plant	Capitalize if:
	• Partial unit of plant/Major renewal:
	  • Replacement cost of the unit of plant > $120,000 and
	  • Cost of renewal is > 50% of the current replacement cost of the unit of plant.
	
	Capitalize if:
	• Betterment to the unit of plant if it increases:
	  • Capacity or
	  • Economic life or
	  • Profitability of the unit of plant (however moving an asset to a more profitable location is never considered capital).

Retirements	
Proceeds of Disposition (Salvage)	Cleared to accumulated depreciation resulting in a decrease to net plant.
Removal Costs	Cleared to accumulated depreciation resulting in an increase to net plant.
Retirements:	Perform retirement using original unitized cost.

Perform retirement of a unit of plant if one or more of the following apply: • Equipment removed is replaced through capital. • Equipment is removed from service and not replaced. • Equipment is abandoned and will not be used for transmission. • Equipment is destroyed. Recognition of Gains & Losses	Only recognized on significant retirements and non-depreciable assets (Land).
Remediation / Environmental Retire facility and restore land to its original state. One Time Clean-Up without facility retirement. Routine Clean-Up. Site investigation, sampling or delineation.	Capitalize in a retirement project. Expense Expense Expense
Stabilization Costs (i.e. riverbank refurbishment, washouts, etc.)	Contact Capital Accounting.
General Plant Additions/Replacements (Furniture, Tools and Work Equipment, Transportation Equipment, or Heavy Work Equipment) Retirement/Amortization:	Capitalize if: • > $500 and useful life > 1 year. Amortization accounting is used for: • Furniture • Tools and Work Equipment • Hardware and Software • Vehicles • Communication Equipment This avoids the detailed tracking of individual assets therefore no retirement projects are needed for these types of projects. Any salvage on these items can be booked to a capital addition project. Note: Heavy Work Equipment replacements require retirement projects and salvage should be booked to the retirement!
Information Technology **Additions/Replacements/Upgrades:** Purchased Hardware	Capitalize if: • > $500 and useful life > 1 year.

Purchased Software	Capitalize if: • Core workstation software & licenses, and • Useful for > 1 year and • > $500 (Specialty software must be >$2,000).
Internally Developed Software I/S project guidance (source FERC SOP 98)	Capitalize internal and external costs to: • Design, develop, code or configure • Install • Test including parallel testing • Travel related to capital software • If project cost > $2,000 Expense all costs incurred to: • Investigate new software/hardware • Assess performance • Determine system requirements • Train/teach users • Convert Data from one system to another • Build reports/queries • Perform system maintenance that does not add functionality
GENERAL INFORMATION/ QUESTIONS:	
Quantities and Locations	Dollar value thresholds indicated above must be met by location and by item. You cannot combine quantities or locations to get your project to the appropriate dollar value threshold.
IDC (Interest During Construction)	This represents the cost of borrowing funds until a project is placed in-service. IDC is charged where the projected project costs are greater than $50M. Contact Liquids Accounting for further information.
As-Built Drawings	Capitalize with the related project.
Transfers Regulated Affiliates Non-Regulated Affiliates	 Transfer at net book value. Transfer at fair market value.

Leases Capital Lease Operating Lease	Capitalize if: • Lease Term + or > 75% of economic life of asset. • Reasonable assurance of ownership at end of lease term. • Company will recover the investment and earn a return. Expensed
Capital Spares	Must meet all of the following criteria: • Generally must be > $150,000 and have a lead time greater than 26 weeks • Critical parts for maintaining system operations • Complies with business capitalization guideline policies stated above • Capitalized and depreciated over their useful life • Have been assigned zero dollar value in inventory Characteristics of a capital spare may include: • Generally large, expensive, long-lead parts • Custom made and not readily available from vendors • Acquired when capital equipment is acquired • Not interchangeable with other types of equipment • Low turnover and low failure rates • Not acquired in quantity
How many capital projects should I create?	• 1 project per in-service date (within 30 days) • 1 per legal entity
What if a capital project is cancelled?	• Transfer all charges to an expense project. • Complete the Cancellation Form and attach to the JV request. • Send a cancellation notification via SAP Workflow by setting the status to **RCAN (REQ: Cancel Project)**.
What is a unit of plant? *Work in Progress: contact Capital Accounting in interim.*	• The unit of plant is the smallest level of detail that accounting uses to depict an asset. • The unit of plant catalogue is located on the **Cost & Capital Department Page.**

IR Number: P66-Husky No. 1.12

Category: Hearing Order No: AO-001-RH-005-2020

Topic: **Allocation of Costs across Shippers and Jurisdictions**
Allocation Between Keystone Canadian Pipeline and Keystone US Pipeline

Reference:

(i) Written Evidence of Keystone, Appendix D, Patoka TSA Canada 2009, Appendix B, PDF age 86 of 135 (A7Q6W4).

(ii) Keystone Pipeline System, Notice of 2019 Final Variable Toll/Rate, Filed 1 April 2020, PDF page 3 of 7.

Preamble

As explained in Reference (i), PDF age 86 of 135, the Canadian TSA covers tolls and tolling principles for the section of the pipeline from Hardisty, Alberta to the international boundary at or near Haskett, Manitoba.

In Reference (ii), PDF page 3 of 7, the 2019 Final Variable Toll in \$ / m^3 / 100km differed between the Canadian section versus the US section of the Keystone Pipeline System.

Request:

(a) Please describe the methodology Keystone used to allocate OM&A Costs between the Keystone US Pipeline and the Keystone Canada Pipeline from January 1, 2016 to the present.

(b) Please provide any documents, including workpapers, memorializing or implementing the methodology described in (a).

Response:

(a) and (b)

OM&A costs are not allocated between the Keystone US Pipeline and the Keystone Canadian Pipeline. Direct OM&A costs are recorded to the Keystone US Pipeline and the Keystone Canada Pipeline based on where the costs were incurred, and each pipeline receives allocations of shared services in accordance with the TC Energy Cost Allocation Principles and Framework. Please refer to Attachment P66-Husky IR 1.7d-1 for information on the TC Energy Cost Allocation Principles and Framework.

IR Number: P66-Husky No. 1.13

Category: Hearing Order No: AO-001-RH-005-2020

Topic: **Allocation of Costs across Shippers and Jurisdictions**
Allocation Across Shippers

Reference:

(i) Written Evidence of Keystone, Appendix E, Keystone NEB Tariff No. 23 Rules and Regulations, 7.2 (iii), PDF pages 119-121 of 135 (A7Q6W4).

(ii) Written Evidence of TransCanada Keystone Pipeline Limited Partnership, Filed 22 January 2021, PDF page 16 of 135 (A7Q6W4).

Preamble

The Keystone Pipeline System is used by Term Shippers (defined in Reference (i), PDF page 119 to 121 of 135, as a Shipper that is a party to a Contract) and Non-Term (or uncommitted) Shippers.

As explained in Reference (ii), PDF page 16 of 135, the Non-Term Shippers are charged a toll premium in "recognition to Term Shippers for their long-term commitments on Keystone Pipeline System."

Information regarding the allocation of costs between Term Shippers and Non-Term Shippers is required to determine whether CER Tariff No. 44 and CER Tariff No. 50 have been determined in a manner consistent with the approved tolling methodology and TSAs.

Request:

(a) Please describe the methodology Keystone used to allocate OM&A Costs between committed and uncommitted rates from January 1, 2016 to the present.

(b) Please provide any documents, including workpapers, memorializing or implementing the methodology described in (a).

(c) Please confirm whether the following statements are correct in reference to Keystone's allocation of OM&A Costs between Term Shippers and Non-Term Shippers. If any of these statements are not confirmed, please provide a narrative that explains Keystone's process for allocating OM&A Costs:

   (i) Keystone allocates estimated OM&A Costs across Term Shippers and Non-Term Shippers in the estimated variable toll and spot toll.

   (ii) When final OM&A Costs are confirmed in the spring of the following year, Keystone allocates those costs over the volumes tendered by all shippers by recalculating what the toll should have been (i.e., the Final Toll). This allocation splits costs between Term Shippers and Non-Term Shippers.

(iii) If Keystone over- or under-collects OM&A Costs from Term Shippers, Keystone provides those Term Shippers with a true- up invoice that includes either a charge or a credit, as applicable.

(iv) If Keystone over-collects OM&A Costs from Non-Term Shippers, Keystone cannot provide Non-Term Shippers a true-up invoice and therefore retains the money collected from Non-Term Shippers.

(v) If Keystone under-collects OM&A Costs from Non-Term Shippers, Keystone cannot provide Non-Term Shippers a true- up invoice and therefore absorbs those costs and does not allocate those costs to Term Shippers.

Response:

(a) Please refer to CER IR 1.2.

(b) Keystone declines to provide this data on the ground that the request is unreasonable and unduly broad. The time, effort and expense involved in the preparation of a response are not warranted by the relevance, if any, of the information sought, by the significance of that information in the context of the proceeding, or by the probative value of the result. The unqualified breadth of the request lacks appropriate specificity and amounts to a "fishing expedition".

(c) (i) Please refer to CER IR 1.2.

(ii) Please refer to CER IR 1.2.

(iii) Confirmed, pursuant to and in accordance with the Transportation Service Agreements (TSAs).

(iv) and (v) Keystone confirms the following: Non-Term Shippers are subject to a tolling methodology approved by the Commission, which does not include a true-up process. Non-Term Shippers did not execute TSAs, which include the variable toll true-up mechanism. Instead, Non-Term Shippers pay Keystone's uncommitted toll for transportation service which was approved in Decisions OH-1-2007 and Decision OH-1-2008.

IR Number: P66-Husky No. 1.14

Category: Hearing Order No: AO-001-RH-005-2020

Topic: **Pipeline Incidents**
Detailed summary of pipeline incidents

Reference:

(i) Written Evidence of TransCanada Keystone Pipeline Limited Partnership, Filed 22 January 2021, PDF page 17 of 135 (A7Q6W4).

(ii) Keystone Pipeline System, Notice of 2019 Final Variable Toll/Rate, PDF page 4 of 7.

Preamble

In Reference (i), PDF page 17 of 135, Keystone identified that during 2019 there were two incidents in the United States and one facilities release in Canada that affected the pipeline. The costs related to these 2019 incidents were included in the Canadian and United States Final 2019 Variable Toll.

In Reference (ii), PDF page 4 of 7, the final 2019 Canadian Variable Toll included costs associated with 2019 incidents.

Request:

(a) Please list all the crude oil release and/or pipeline shutdown incidents that occurred on the Keystone US Pipeline and Keystone Canadian Pipeline from January 1, 2016 to the present. For each incident, please provide the following information:

(i) The date the incident occurred;

(ii) The PHMSA report number and/or other regulatory agency report number as applicable;

(iii) A narrative description of the incident;

(iv) Total incident costs (separated by all costs categories/codes used in Keystone's accounting system for CER Annual Surveillance Report reporting purposes).

(b) For each incident identified in response to (a), please provide any root cause analysis(es) and/or investigation report(s) prepared by or for Keystone relating to the incident.

(i) If there exists any such analysis(es) or report(s) over which Keystone claims legal privilege, please identify the existence, name and date of the document.

(ii) If there exists any such analysis(es) or report(s) over which Keystone claims legal privilege, please identify the type of privilege claimed and the basis for the claim of privilege.

(c) Please explain whether the incident costs used in Keystone's accounting system for CER Annual Surveillance Report reporting purposes represent cash amounts or accounting accruals. If the latter, please provide both the cash amounts and the accrued amounts for January 1, 2016 to the present.

(i) The overall amount of incident OM&A Costs and NRA costs (by incident and/or claim).

(ii) The overall incident proceeds (i.e., insurance recovery by incident and/or claim and any litigation proceeds relating to an incident).

(iii) Any incident proceeds previously or currently being sought by Keystone (including the amount, status of the amounts being sought, and counterparty from which Keystone is seeking proceeds).

(iv) The amounts, by year, in which the OM&A Costs and NRA costs related to the incident were incurred;

(v) The amounts by year of any insurance and/or litigation proceeds received by Keystone related to the incident;

(vi) Whether any insurance and/or litigation proceeds received by Keystone related to the incident were paid out to shippers as a Variable Toll Credit, and if so, how much was credited to the Variable Toll;

(vii) The amounts, by year, of the related insurance premium(s) and/or litigation expenses paid by Term Shippers;

(viii) The year in which the insurance premiums and/or litigation expenses identified in response to subpart (iv) above were incurred in the rates paid by Term Shippers;

(d) Please describe the methodology Keystone used to allocate incident costs between the Keystone US Pipeline and the Keystone Canada Pipeline from January 1, 2016 to the present.

(e) Please provide any documents, including workpapers, memorializing or implementing the methodology described in (d).

(f) Please confirm whether any of Keystone's DRA expenses from calendar year 2016 to calendar year 2020 (and 2021 to date) were incurred in order to mitigate the impacts of incidents affecting operational capacity listed in response to the above. If confirmed, please provide a breakdown of the monthly DRA expenses and monthly DRA volumes associated with each incident and provide a dollar amount for the DRA expenses allocated to Term Shippers associated with each incident.

Response:

(a) (i) to (iii) The CER's process direction provided for in section 3.6 of Hearing Order AO-001-RH-005-2020 limits information requests to matters relevant to the evidence that has been placed on the record by Keystone or related to one or more of the issues identified. Given that Keystone's evidence and the issues identified by the CER are limited to the 2020 and 2021 Estimated Variable Tolls in Canada, the information requested for years prior to 2020 and outside Canada is not relevant to the issues set out in the proceeding.

(iv) Please refer to CER IR 1.1a for OM&A costs. Please refer to Attachment P66-Husky IR 1.10a-1 for NRA costs.

(b) (i) and (ii) To the extent that this request seeks disclosure of records related to incidents that have occurred on the Keystone US system, Keystone objects to this request on the basis that such records are not relevant to the issues in this proceeding, which are limited to the just and reasonableness of the 2020 and 2021 Estimated Variable Toll for tolls charged by Keystone Canada. To the extent that this request seeks disclosure of root cause analyses or investigation reports relating to incidents on the Keystone Canada System, Keystone objects to this request on the basis of relevance as the 2020 and 2021 Estimated Variable Toll do not include any incident-related costs. In any event, and without admitting the relevance of such records, Keystone asserts solicitor-client and litigation privilege over any root cause analyses or investigation reports that exist. Finally, Complainants have commenced litigation in the Alberta Court of Queen's Bench, as referenced in lines 9-15 on page 7 and lines 1-5 on page 8 of Keystone's Written Evidence (C11126), and this information request is an improper attempt to circumvent the evidentiary process applicable to the litigation.

(c) (i) Please refer to Attachment CER IR 1.1.a-1 and Attachment CER IR 1.1.a-2.

(ii) Please refer to c) i) above.

(iii) Please refer to (b) above.

(iv) Please refer to CER IR 1.1.

(v) and (vi) Keystone accounts for insurance payouts in the year in which it receives the payout regardless of when the underlying event occurred. Keystone flows through the insurance payout to the shippers in the same period it receives the payout. This may occur as part of the Final Variable Toll adjustment or Estimated Variable Toll determination.

(vii) and (viii) Please refer to a) i) to iii) above.

(d) Please refer to P66-Husky IR 1.12.

(e) Keystone declines to provide this data on the ground that the request is unreasonable and unduly broad. The time, effort and expense involved in the preparation of a response are not warranted by the relevance, if any, of the information sought, by the significance of that information in the context of the proceeding, or by the probative value of the result. The unqualified breadth of the request lacks appropriate specificity and amounts to a “fishing expedition”.

(f) For the years 2020 and 2021, Keystone forecasted an increase in the utilization of DRA to operationally mitigate the effects of pressure restrictions, among other reasons. Refer to CVR IR 1.2 for the costs of DRA and to CVR IR 1.1 for DRA volumes. For years prior to 2020, refer to response (a) (i) to (iii) above.

IR Number: P66-Husky No. 1.15

Category: Hearing Order No: AO-001-RH-005-2020

Topic: **Costs that are Reimbursable via Insurance**
Copies of Insurance Policies

Reference:

(i) Written Evidence of TransCanada Keystone Pipeline Limited Partnership, Filed 22 January 2021, PDF page 17 of 135 (A7Q6W4).

(ii) Keystone Pipeline System, Notice of 2019 Final Variable Toll/Rate, PDF page 4 of 7.

Preamble

In Reference (i), PDF page 17 of 135, Keystone states "[i]f there are incident costs, Keystone treats actual incidents costs, net of any insurance proceeds, as OM&A as defined in the TSA." While insurance premiums are an OM&A Cost that can be recovered through the Variable Toll, the Canadian TSA only permits Keystone to reimburse all insurance proceeds to the contracted shippers following insured Pipeline incidents. Keystone must credit any insurance and/or litigation reimbursement against the OM&A Costs used to calculate the Variable Tolls in years where insurance and/or litigation proceeds were received.

In Reference (ii), PDF page 4 of 7, the costs of incidents included in the calculation of the final 2019 Canadian Variable Toll were not offset by any insurance proceeds.

Request:

(a) Please provide copies of the insurance policies that relate to risks arising from Keystone's operation of the Keystone US Pipeline and Keystone Canada Pipeline.

(b) Please state your belief as to whether the insurance policies provided in your response to (a) insure against risks other than the incurrence of costs related to emergency response and environmental remediation.

(c) If the answer to (b) is affirmative, please list the additional risks against which you believe such policies insure.

(d) Do the insurance policies cover the cost of DRA's used to remediate or mitigate reduced capacity due to the pipeline incidents?

(e) Please identify any pending insurance claims for any incidents on the Keystone US Pipeline and Keystone Canada Pipeline from January 1, 2016 to the present. Provide copies of any correspondence between Keystone and its insurers related to such claims, copies of any claims or proof-of-loss forms submitted to insurers, and any supporting documentation provided to insurers in support of any insurance claims.

(f) Please identify any pending litigation or arbitration proceedings related to insurance claims for any incidents on the Keystone US Pipeline and Keystone Canada Pipeline from January 1, 2016 to the present. Provide all pleadings related to any such proceedings.

Response:

(a) Corporate insurance policies will not be shared, as they insure more entities than Keystone. As outlined in Keystone's Written Evidence, the insurance proceeds associated with the "2019 incidents" were not included in the CER 2020 and 2021 Toll Filings. The CER's process direction provided for in section 3.6 of Hearing Order AO-001-RH-005-2020 limits information requests to matters relevant to the evidence that has been placed on the record by Keystone or related to one or more of the issues identified. Given that Keystone's evidence and the issues identified by the CER are limited to the 2020 and 2021 Estimated Variable Tolls, the information requested for years prior to 2020 is not relevant to the issues set out in the proceeding.

(b) Corporate insurance policies cover physical loss or damage to assets and resulting business interruption; third party liability property damage and bodily injury, including sudden and accidental pollution; subject to exclusions and deductibles. The specific Keystone policies also cover gradual pollution events.

(c) Please see b) above.

(d) No.

(e) There are no pending claims.

(f) None.

IR Number: P66-Husky No. 1.16

Category: Hearing Order No: AO-001-RH-005-2020

Topic: **Details and Explanation of Open Seasons**
Explanation of use of DRA to increase capacity for 2019 Open Season Contracts

Reference: (i) Written Evidence of TransCanada Keystone Pipeline Limited Partnership, Filed 22 January 2021, PDF page 3 and 18 of 135 (A7Q6W 4).

Preamble In Reference (i), at PDF page 3 of 135, Keystone acknowledges that its TSAs specify that "[t]he risk assumed by Keystone was also dependent on capacity utilization, the level of uncommitted tolls, and contract renewals after the initial 10 and 20-year terms." Keystone is therefore liable for any costs associated with creating additional capacity.

In Reference (i), at PDF page 18 of 135, Keystone stated that there was a 2019 Open Season, where additional capacity that was created by the use of DRA injections. "In 2021, DRA injections combined with other system debottlenecking initiatives will all allow Keystone to maintain existing capacity with the possibility to increase the total pipeline capacity. The resulting increase to the total pipeline capacity will support additional egress from the Western Canadian Sedimentary Basin to certain shippers who have committed to the total incremental 50,000 bpd of firm capacity on Keystone through a 2019 Open Season." It is important to understand the contracts that were executed during the 2019 Open Season to determine whether the Term Shippers have incurred costs that relate to risks and revenue that Keystone was contractually obliged to bear.

Request:

(a) Please provide all documents related to the June 2019 Open Season, including but not limited to all TSAs executed with respect to the expansion capacity that is the subject of the June 2019 Open Season and all communications with potential or contracted shippers with respect to such expansion capacity.

(b) Please identify all Keystone personnel knowledgeable regarding the June 2019 Open Season.

(c) Please state the earliest expected in-service date for the expansion capacity that is the subject of the June 2019 Open Season.

(d) Please explain how Keystone accounts for insurance payouts and/or litigation proceeds that post-date the issuance of a true-up invoice for the year in which the event underlying the insurance payout occurred. Please include in the response whether Keystone flows through insurance payouts and litigation proceeds to its shippers or whether it retains that payout after invoicing Term Shippers for the underlying cost.

Response:

(a) Please refer to the pro forma 2019 Open Season TSAs, provided as P66-Husky Attachment IR 1.16. The pro forma 2019 Open Season TSA is the only relevant document associated with the 2019 Open Season, as it outlines the terms and conditions associated with the 2019 Open Season capacity. Executed copies of the 2019 Open Season TSAs and all communications with potential and contracted shippers and are confidential and will not be provided, as those documents provide actual volume commitments made by shippers as well as other confidential, commercially sensitive information. Providing this information in a public forum would contravene Keystone's obligation to not disclose shippers' confidential and commercially sensitive information.

(b) The employees most knowledgeable regarding the June 2019 Open Season are those working in the TC Liquids Commercial and Business Development groups.

(c) Keystone's estimates that approximately 10,000 bpd of capacity offered during the June 2019 Open Season will flow in the system starting the second half of 2021. The remaining capacity is expected to flow in 2022.

(d) Please refer to P66-Husky IR 1.14(c)(v) and vi).

Information Request P66-Husky 1.16
Attachment P66-Husky 1.16

KEYSTONE CANADA PIPELINE SYSTEM
PETROLEUM TRANSPORTATION SERVICE AGREEMENT
(KB CAPACITY EXPANSION – PORT ARTHUR/ HOUSTON DELIVERY POINTS – 2019)

THIS CONTRACT made as of the ______ day of ______________, 2019.

PARTIES:

____

____

____

("**Shipper**");

AND

TRANSCANADA KEYSTONE PIPELINE GP LTD., a corporation existing under the laws of Canada, as general partner on behalf of **TRANSCANADA KEYSTONE PIPELINE LIMITED PARTNERSHIP**, a limited partnership registered under the laws of Alberta ("**Carrier**");

WHEREAS:

A. Carrier is proposing to complete, own and operate certain Pipeline System capacity expansion, including the KB Capacity Expansion;

B. Shipper has requested and, subject to the satisfaction or waiver of the conditions precedent set forth in ARTICLE 3, Carrier has agreed to transport the Contract Volume of Petroleum Tendered by Shipper in respect of the KB Capacity Expansion pursuant to the terms and conditions of this Agreement, and subject to the Tariff;

C. Shipper wishes to make a binding commitment to Carrier regarding the transportation of Petroleum as set forth in this Agreement, and upon its execution of this Agreement to become a Term Shipper under this Agreement; and

D. Carrier is prepared to offer tolls and terms of service to Shipper subject to and in accordance with the provisions of this Agreement and the Tariff.

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth below, Carrier and Shipper agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Except as specifically provided in this Agreement, the capitalized terms and phrases used but not defined in this Agreement shall have the meaning given to such terms and phrases in the Rules and Regulations. In addition, whenever used in this Agreement, the following words and terms have the meanings set out below.

"**Advance Notice (Recommencement)**" has the meaning given that term in Section 5.4a).

"**Agreement**" means this Keystone Canada Pipeline System Petroleum Transportation Service Agreement (KB Capacity Expansion – Port Arthur/ Houston Delivery Points – 2019) and any appendices attached hereto in each case, as may be amended, modified, supplemented or restated from time to time. This Agreement shall constitute a Contract as defined in the Rules and Regulations.

"**Commencement Date**" has the meaning given that term in Section 5.2.

"**Contract Financial Assurances**" has the meaning given that term in Section 7.1.

"**Cushing TADP**" means the "Delivery Point" at Cushing, Oklahoma on the Keystone US Pipeline System, as elected by Shipper to be the "temporary Alternate Delivery Point" under the US TSA.

"**Cushing TADP Toll**" means the "Committed Toll" for the "Delivery Point" at Cushing, Oklahoma on the Keystone US Pipeline System for a "Contract Term" of 20 years posted on the Toll Schedule.

"**Curtailment**" has the meaning given that term in Section 9.2a).

"**Diversion Contract Volume**" means all or a portion of the Contract Volume, as specified by Shipper in the Notice electing the Diversion Option, as particularly described in Section 6.3c).

"**Diversion Option**" has the meaning given that term in Section 6.3c).

"**Diversion Option Acceptance Notice**" has the meaning given that term in Section 6.3b).

"**Diversion Period**" means the period during the Shipper Holiday in which the Diversion Option applies.

"**Diversion Toll**" has the meaning given that term in Section 6.3c).

"**Fixed Toll**" means the "Fixed Toll" described in paragraph B.1 of Appendix 'B'.

"**IL Delivery Points**" means, collectively, the Delivery Points on the Keystone US Pipeline System at Patoka, Illinois and the Delivery Point at Wood River, Illinois; and the "IL Delivery Point" means either of them, as elected by Shipper as the Contract Delivery Point under the US TSA during the Shipper Holiday.

"**KB Capacity Expansion**" means the Keystone Base capacity expansion for the purpose of providing the service under this Agreement including: (a) constructing, developing or leasing the Petroleum receipt, delivery, pipeline, pumping, monitoring, control and ancillary facilities; (b) using other expansion means or measures; or (c) using a combination of (a) and (b), to achieve a nominal capacity of approximately 640,000 barrels per day, in each case the necessity (including whether a capacity expansion is necessary) and the scope of capacity expansion(s) shall be determined by Carrier in its sole discretion.

"**KBCE Capacity**" has the meaning given that term in Section 5.3.

"**KBCE(GC) Term Shippers**" means the Term Shippers who are parties to the Contracts substantially corresponding to this Agreement resulting from the Open Season.

"**Keystone Base Facilities**" means Petroleum receipt, delivery, pipeline, pumping, monitoring, control and ancillary facilities commencing at Hardisty, Alberta and terminating at the international boundary at or near Haskett, Manitoba, with a nominal transportation capacity of approximately 591,000 barrels per day of Petroleum.

"**KXL Commencement Date**" means the date on which transportation service on the KXL Expansion Facilities will commence, as declared by Carrier in accordance with the KXL TSAs.

"**KXL Expansion Facilities**" means that portion of the Pipeline System consisting of the Petroleum receipt, delivery, pipeline, pumping, monitoring, control and ancillary facilities commencing at or near Hardisty, Alberta and terminating at the international boundary at or near Monchy, Saskatchewan, having a nominal transportation capacity of approximately 700,000 barrels per day of Petroleum.

"**KXL TSAs**" means the Keystone Canada Pipeline System Petroleum Transportation Service Agreements (Port Arthur/ Houston Delivery Points) between Carrier and Term Shippers resulting from the open season commenced in 2017 in respect of the KXL Expansion Facilities.

"**KXL US Expansion Facilities**" means that portion of the Keystone US Pipeline System consisting of the Petroleum receipt, delivery, pipeline, pumping, monitoring, control and ancillary facilities commencing at the international boundary at or near Monchy, Saskatchewan and terminating at or near Steele City, Nebraska, and any incremental facilities required to expand the other portions of the Keystone US Pipeline System, in each case to a nominal transportation of approximately 700,000 barrels per day of Petroleum.

"**Line Fill**" means, if applicable, the aggregate volumes of Petroleum determined by Carrier required to be delivered by applicable Term Shippers to provide for the commissioning and start-up of the Pipeline System facilities for the purpose of recommencing the Transportation Service under Section 6.1 of this Agreement.

"**Lottery Process**" means the lottery process described in Section 7.2(iv) of the Rules and Regulations, as adjusted reasonably by Carrier for the purpose to allocate the available KBCE Capacity.

"**Make-Up Volume**" means, in respect of any Month, an accrual of a quantity of Petroleum equal to the difference between the Monthly Volume and actual volumes Tendered for shipment (as documented by delivery meter tickets) in that Month, calculated in accordance with Section 8.1.

"**Notice**" has the meaning given that term in Section 11.1.

"**Open Season**" means the open season bid tender procedures initiated by Carrier in respect of this Agreement (and related Contracts) to provide services to KBCE(GC) Term Shippers on the Pipeline System (as such procedures may be replaced or amended from time to time).

"**Operating, Maintenance and Administration Costs**" has the meaning given that term in paragraph D.2 of Appendix 'B'.

"**Operational Overage Volume**" has the meaning given that term in Section 9.3b).

"**Pause Option**" has the meaning given that term in Section 6.3a).

"**Paused Period**" means the period during the Shipper Holiday in which the Pause Option applies.

"**Recommencement Date**" has the meaning given that term in Section 6.3.

"**Regulatory Approvals**" has the meaning given that term in Section 2.1.

"**Rules and Regulations**" means the "Petroleum Tariff Containing Rules and Regulations Applying to the Transportation of Petroleum" filed by Carrier at the NEB as in effect at the applicable time.

"**Shipper Holiday**" has the meaning given that term in Section 6.3d).

"**Shipper Holiday Notice**" has the meaning given that term in Section 6.3.

"**Shipper Information**" means all of the information and evidence to be provided by Shipper to Carrier pursuant to Section 2.3.

"**Tariff**" means the Rules and Regulations and any toll schedules filed by Carrier at the NEB as may be amended from time to time.

"**Term**" has the meaning given that term in Section 10.1.

"**Termination Date**" means the relevant termination date outlined in ARTICLE 4.

"**Toll Schedule**" means the "Petroleum Toll Schedule Containing Tolls Applying to Transportation of Petroleum", filed by or on behalf of Carrier at the NEB as in effect at the applicable time.

"**Transportation Services**" means, collectively and as applicable, the transportation services described in ARTICLE 6; and the "Transportation Service" means any one of them, as the context may require.

"**US TSA**" means the Keystone US Pipeline System Petroleum Transportation Service and Throughput Agreement (KB Capacity Expansion – Port Arthur/Houston Delivery Points – 2019) between Shipper (or Shipper's Affiliate) and Keystone US on terms and conditions corresponding to this Agreement, for transportation of Petroleum on the Keystone US Pipeline System.

"**Variable Toll**" means the "Variable Toll" described in Part C of Appendix 'B'.

Additional terms used primarily in Appendix 'B' are defined in Appendix 'B'.

1.2 Attached to and forming an integral part of this Agreement are the following appendices:

a) Appendix 'A', entitled "Contract Volume Election"; and

b) Appendix 'B', entitled "Schedule of Tolls and Toll Principles".

1.3 In this Agreement:

a) The headings used are inserted for convenience of reference only and are not to be considered or taken into account in construing the terms or provisions of this Agreement nor to be deemed in any way to qualify, modify or explain the effect of any such provisions or terms.

b) Where the word "including" or "includes" is used, it means "including (or includes) without limitation".

c) A reference to a statute includes all regulations made pursuant to such statute and, unless otherwise specified, the provisions of any statute or regulation which amends, supplements or supersedes any such statute or any such regulation.

d) Time is of the essence in the performance of the Parties' respective obligations.

e) If, in any jurisdiction, any provision of this Agreement or its application to any Party or circumstance is restricted, prohibited or unenforceable, such provision shall, as to such jurisdiction, be ineffective only to the extent of such restriction, prohibition or unenforceability without invalidating the remaining provisions of this Agreement and without affecting the validity or enforceability of such provision in any other jurisdiction or without affecting its application to other parties or circumstances.

f) This Agreement, together with the Rules and Regulations in effect at the relevant time, constitutes the entire agreement of the Parties relating to their relationship under this Agreement. All prior negotiations and all provisions and concepts contained in all prior agreements between the Parties on matters contained in this Agreement are expressly superseded by this Agreement. The Parties expressly waive any reliance on representations or course of dealings made prior to the execution of this Agreement regarding the subject matter of this Agreement.

1.4 The tolling methodology for transportation service on the Pipeline System is a delivery-based tolling methodology, and as such:

a) Shipper acknowledges and agrees that the quantification of actual volume Tendered, as determined by Carrier for the purpose of determining the applicable tolls and transportation charges payable by Shipper for transportation services provided by Carrier on the Pipeline System under this Agreement will be based on the Net Standard Volume as documented by delivery meter tickets or the accepted electronic equivalent.

b) For clarity of interpretation, the following concepts are non-measured quantities and are not affected by any tolling methodology:

(i) Nominations, Available Capacity, Allocated Volume and associated processes such as apportionment (all of which are 'non-measured' volumetric quantities);

(ii) determination of Monthly Volume and Monthly Revenue Commitment; and

(iii) Position Settlement, Position Settlement Cost Recovery and associated processes.

c) Irrespective of the shipper indicated on a delivery ticket, Shipper shall retain all liabilities and obligations under this Agreement:

(i) in connection with the Petroleum Tendered by Shipper at the Receipt Point; and

(ii) for transportation charges payable on the Pipeline System with respect to actual volumes Tendered (as documented by delivery tickets).

ARTICLE 2
REGULATORY APPROVALS

2.1 Subject to the terms and conditions of this Agreement, Carrier, in conjunction with Keystone US, shall proceed with due diligence and in good faith to seek to obtain from all governmental, administrative and regulatory (including aboriginal and tribal, if applicable) authorities having jurisdiction in Canada and the United States such authorizations or exemptions, or both, and any necessary amendments or supplements thereto, that each of Carrier and Keystone US, in its sole discretion, determines are necessary for, and on terms satisfactory to, Carrier to construct, acquire, own and operate the Pipeline System (including the KB Capacity Expansion) and to provide transportation service to Shipper, and for Keystone US to construct, acquire, own and operate the Keystone US Pipeline System (including the "KB Capacity Expansion" pursuant to the US TSAs) as contemplated in the contractual arrangements entered into between Keystone US and its shippers, except for those that are, in the reasonable opinion of each of Carrier and Keystone US, not material or not customarily required by prudent pipeline operators prior to the commencement of on-site construction or pre-construction activities (collectively, the "**Regulatory Approvals**").

2.2 Shipper acknowledges and agrees that Carrier and Keystone US have exclusive control over the Regulatory Approvals filing and prosecution process. Neither Carrier nor Keystone US shall be obligated to appeal any decision of a regulatory, administrative, governmental or judicial authority that has the effect of (a) denying a Regulatory Approval, or (b) granting a Regulatory Approval on conditions that are determined by each of Carrier and Keystone US in its sole discretion, to be unsatisfactory to Carrier or Keystone US, as the case may be.

2.3 Shipper agrees to cooperate with Carrier to obtain the Regulatory Approvals and provide such reasonable support as may be necessary in connection with the applications for, and the processing of, the Regulatory Approvals. Such support and cooperation may, at Carrier's reasonable request, include providing any information reasonably requested by Carrier or Keystone US for use in applying for a Regulatory Approval and any information required by a regulatory, administrative, governmental or judicial authority in connection with its review of an application for a Regulatory Approval, including the provision of witnesses to speak to such information (collectively, "**Shipper Information**"). Carrier shall, in considering whether to request any Shipper Information, consider the commercial sensitivity and confidentiality of such information on the part of Shipper and, where commercially reasonable to Carrier's applications for Regulatory Approvals, seek to limit such information to Shipper Information that is not commercially sensitive or confidential. Notwithstanding the foregoing, if any Shipper Information (which for these purposes shall include the information provided by Shipper in Appendix 'A') is commercially sensitive and confidential, Carrier will, if requested by Shipper, exercise commercially reasonable efforts to obtain confidential treatment of such information by the governmental, regulatory, administrative or judicial authority that has requested such information. Except as expressly contemplated by this Section 2.3 and applicable law, Carrier shall not disclose to third parties (other than to Keystone US, Carrier's Affiliates and their respective counsel, agents, directors, officers, employees and/or consultants who or which are on a need to know basis only) the specific Contract Volume of Shipper; provided that nothing in the foregoing shall restrict disclosure of the total Contract Volumes of all Term Shippers or the individual Contract Volume of Shipper on an unattributed basis.

2.4 Shipper agrees not to:

a) oppose, intervene against, or seek to delay, whether directly or indirectly, any of Carrier's or Keystone US's applications for Regulatory Approvals before any of: (i) the NEB, (ii) the FERC, (iii) any state certificating authorities, (iv) any judicial authorities with respect to matters regulated by the bodies or entities enumerated in paragraphs (i), (ii) or (iii) above, or (v) any appellate bodies of any of the foregoing; or

b) make any statements, whether directly or indirectly, that indicate a lack of support for the Pipeline System, KB Capacity Expansion, the KXL Expansion Facilities or the Keystone

US Pipeline System. For greater certainty, Carrier acknowledges that Shipper shall not be considered to have violated its obligations under this Section 2.4b) in respect of statements made by industry associations or organizations not controlled by Shipper, where Shipper complied with such obligations for statements made within and to such industry association or organization.

ARTICLE 3
CONDITIONS PRECEDENT

3.1 Subject to Section 2.1 and ARTICLE 4, Carrier's obligations in respect of the Transportation Service under this Agreement are subject to the satisfaction of the following conditions precedent:

a) Carrier and its Affiliates shall have obtained, on terms and in condition acceptable to Carrier in its sole discretion, all Canadian Regulatory Approvals.

b) Keystone US and its Affiliates shall have obtained, on terms and in condition acceptable to Keystone US in its sole discretion, all United States Regulatory Approvals.

c) Shipper or an Affiliate of Shipper shall have contemporaneously with the execution of this Agreement, entered into a US TSA, which remains in full force and effect.

d) Carrier's satisfaction, in its sole discretion, that Shipper has obtained on or before the Commencement Date, all required regulatory and governmental approvals for Shipper to receive service from Carrier and Keystone US as contemplated under this Agreement and any petroleum transportation service agreement with Keystone US, including approvals necessary to export Petroleum from Canada and to import Petroleum into the United States.

Carrier and Keystone US shall have no liability or obligation whatsoever to Shipper in the event either or both of them declines to file for, withdraws from, or rejects any Regulatory Approval.

3.2 The conditions precedent stated in Section 3.1 are included for the sole benefit of Carrier and may only be waived by Carrier.

3.3 The execution and delivery by Shipper of this Agreement in connection with the Open Season constitutes an irrevocable binding offer by Shipper that shall not be binding on Carrier unless and until this Agreement is executed and delivered by Carrier to Shipper, subject always to the other provisions of this ARTICLE 3; provided that if this Agreement is not executed and delivered by Carrier to Shipper on or before the date which is 60 days following the completion of the Open Season, Shipper's offer shall expire and be of no further force or effect, and upon the expiry of such offer in accordance with this Section 3.3, Shipper shall not be liable under this Agreement for any costs, expenses or other liabilities incurred by Carrier or its Affiliates associated with the Pipeline System.

ARTICLE 4
TERMINATION

4.1 If:

a) all of the conditions precedent set forth in Section 3.1 are not satisfied or waived by Carrier on or before the Commencement Date;

b) at any time during the period prior to the Commencement Date, Shipper fails to observe and perform any material agreement, term or condition contained in this Agreement other than the provision of Contract Financial Assurances as described in ARTICLE 7 and Section 4.3;

c) on or before the Commencement Date, Shipper becomes insolvent or makes an assignment or arrangement for the benefit of its creditors, or a receiver is appointed for Shipper or any of its assets, or if Shipper files a petition or proposal for bankruptcy or is petitioned or adjudicated a bankrupt; or

d) the US TSA is terminated in accordance with Section 4.1 thereof,

Carrier may terminate this Agreement on thirty (30) Days prior Notice to Shipper specifying full particulars thereof, including particulars of any default (a "**Carrier Termination Notice**"), provided however in respect of Section 4.1b), if Shipper performs such material agreement, term or condition described in the Carrier Termination Notice within such thirty (30) Day period, this Agreement shall not terminate but shall continue in force and effect.

If the right to terminate this Agreement is exercised by Carrier pursuant to Section 4.1b) or c), or from termination pursuant to Section 4.1d) which results from termination of the US TSA pursuant to Section 4.1(b) or (c) of the US TSA, Shipper shall, to the extent permitted by applicable law and subject to Carrier's obligation to mitigate, pay to Carrier the net present value of the aggregate of: (A) the Monthly Revenue Commitment payable under this Agreement for the unexpired term of this Agreement, (B) all applicable taxes, (C) all amounts owing under the Contract in respect of Petroleum Delivered but for which all tolls, rates and any other charges are not yet paid, and (D) all other amounts for which Shipper is obligated to pay Carrier pursuant to the Rules and Regulations. Upon termination of this Agreement by Carrier pursuant to Section 4.1a) or 4.1d) which results from termination of the US TSA pursuant to Section 4.1(a) of the US TSA, Shipper shall not be liable under this Agreement for any costs, expenses or other liabilities incurred by Carrier or its Affiliates associated with the Pipeline System.

4.2 If:

a) at any time during the period prior to the Commencement Date, Carrier fails to observe and perform any material agreement, term or condition contained in this Agreement;

b) on or before the Commencement Date, Carrier becomes insolvent or makes an assignment or arrangement for the benefit of its creditors, or a receiver is appointed for Carrier or any of its assets, or if Carrier files a petition or proposal for bankruptcy or is petitioned or adjudicated a bankrupt; or

c) the US TSA is terminated in accordance with Section 4.2 thereof,

Shipper may terminate this Agreement on thirty (30) Days prior Notice to Carrier specifying full particulars thereof, including particulars of any default (a "**Shipper Termination Notice**"), provided however in respect of Section 4.2a), if Carrier performs such material agreement, term or condition described in the Shipper Termination Notice within such thirty (30) Day period, this Agreement shall not terminate but shall continue in full force and effect.

Upon termination of this Agreement by Shipper pursuant to Section 4.2a) or 4.2b), or from termination of the US TSA pursuant to Section 4.2c) hereof which is exercised by Shipper pursuant to Section 4.2(a) or 4.2(b) of the US TSA, Shipper shall not be liable under this Agreement for any costs, expenses or other liabilities incurred by Carrier or its Affiliates associated with the Pipeline System.

4.3 If Shipper fails to provide Carrier with the Contract Financial Assurances as required under Section 7.1 within four (4) Banking Days of Carrier's written demand therefor, Carrier may, subject to Shipper's obligations under Section 4.3, immediately terminate this Agreement by providing further Notice to Shipper. If the right to terminate this Agreement is exercised by Carrier pursuant to Section 4.3, Shipper shall, to the extent permitted by applicable law and subject to Carrier's obligation to mitigate, pay to Carrier the net present value of the aggregate of: (a) the Monthly Revenue Commitment payable under this Agreement for the unexpired term of this Agreement, (b) all applicable taxes, (c) all amounts owing under this Agreement in respect of Petroleum Delivered but for which all tolls, rates and any other charges are not yet paid, and (d) all other amounts for which Shipper is obligated to pay Carrier pursuant to the Rules and Regulations. The obligations under this Section 4.3 shall survive termination of this Agreement.

ARTICLE 5
COMMENCEMENT OR RECOMMENCEMENT OF TRANSPORTATION SERVICE

5.1 Shipper agrees to cooperate with Carrier and provide reasonable commercial support to Carrier in Carrier's Working Stock acquisition in respect of the Pipeline System facilities required to provide the Transportation Services and, if applicable, Working Stock acquisition and Line Fill and applicable commissioning activities in respect of any additional Pipeline System facilities required to provide the Transportation Service(s) during the course of the recommencement of the Transportation Service set forth in Section 6.1.

5.2 Subject to Section 5.3, Carrier shall provide Shipper with at least thirty (30) Days prior Notice of the date on which the Transportation Service set forth in Section 6.1 under this Agreement in respect of the Contract Term is to commence (the "**Commencement Date**"). Within such Notice, Carrier will also confirm the applicable Contract Volume (as determined in accordance with Section 5.3) which will be in effect upon the Commencement Date. At least ten (10) Days prior to the Commencement Date, Shipper shall provide Carrier with Shipper's Monthly Nomination for the next ensuing Month on a Notice of Shipment as prescribed in the Rules and Regulations.

5.3 Carrier anticipates that the Pipeline System capacity resulting from the KB Capacity Expansion (the "**KBCE Capacity**") will become available and ramp up in phases. At any time and from time to time during such period, subject to the operating conditions, Carrier shall allocate the incremental KBCE Capacity available at such time, as determined by Carrier in its sole discretion, to all KBCE(GC) Term Shippers on a *pro rata* basis with any *pro rata* allocation not satisfying the minimum batch to be administered by the Lottery Process, subject always to the batch size requirement set forth in the Rules and Regulations. Shipper's Contract Volume under this Agreement, and associated Monthly Volume in effect each Month over such period, will ramp up in accordance with such allocated capacity, up to a maximum of the Contract Volume as set forth in Appendix 'A'. Carrier shall provide Shipper with at least thirty (30) Days prior Notice of the date on which the Transportation Service in respect of such incremental allocated Contract Volume is to commence.

5.4 If the Transportation Service set forth in Section 6.1 under this Agreement will recommence after the Shipper Holiday:

a) Carrier shall have an option to provide Shipper with prior Notice (the "**Advance Notice (Recommencement)**") of:

(i) Carrier's schedule of Line Fill procedures requiring Shipper to deliver, over a period beginning approximately ninety (90) Days and ending no later than onehundred-eighty (180) Days, following Shipper's receipt of the Advance Notice (Recommencement), its proportionate share of Line Fill; and

(ii) Carrier's intention to commence Working Stock acquisition activities.

Volumes of Line Fill and Working Stock shall be as determined by Carrier, acting reasonably. The Type of Line Fill and Working Stock shall be as determined by Shipper, acting reasonably in consultation with Carrier.

b) Carrier shall use reasonable efforts to provide Shipper with periodic updates as to Carrier's expected commencement of Line Fill procedures.

c) If, following Shipper's receipt of the Advance Notice (Recommencement), Carrier alters the schedule of Line Fill procedures from that set forth in the Advance Notice (Recommencement), Carrier shall be solely liable for and shall indemnify Shipper from and against any and all damages, losses, expenses and costs incurred or suffered by Shipper as a result of Carrier's alteration of the schedule of Line Fill procedures from that set forth in the Advance Notice (Recommencement), unless such damages, losses, expenses or costs are due to Shipper's negligence, provided however that Carrier shall not be liable for or indemnify Shipper from and against any Special Damages.

5.5 Unless otherwise precluded by regulatory requirements or agreed by Carrier and Shipper, Carrier shall return to Shipper substantially all of Shipper's Working Stock or in-transit batches of Petroleum which shall be of substantially the same type and quality as that which was delivered to Carrier commencing not later than sixty (60) days following the expiration or termination of this Agreement at the Delivery Point specified by Shipper subject to operational constraints.

ARTICLE 6
TRANSPORTATION SERVICE

6.1 From and after the Commencement Date and during the Term:

a) Shipper guarantees that it shall Tender (or otherwise pay for, as contemplated by Appendix 'B' and the Tariff, consistent with Section 9.1) at least the Monthly Volume at the Receipt Point, and

b) Carrier shall provide transportation service hereunder for Shipper, as a Term Shipper, in accordance with the provisions of this Agreement and the Tariff.

6.2 From and after the Commencement Date and during the first eighteen (18) Months of the Term:

a) Carrier shall have the right in its sole discretion to reduce all or a portion of Shipper's Contract Volume in effect at such time if:

(i) Carrier (or Keystone US), in its sole discretion, determines that a requirement imposed by the applicable law or governmental authority in Canada or the United States will result in the nominal capacity of the Pipeline System (or the Keystone US Pipeline System, as applicable) being anticipated to not exceed 101,750 m3/Day (640,000 bbl/Day) on a sustainable basis; or

(ii) on Carrier's designated Monthly Nomination date, Carrier in its sole discretion determines that there is insufficient Available Capacity and as a result will need to apportion Monthly Volume as Nominated by all Term Shippers, ***provided that*** such apportionment is not a result of Curtailment and/or Carrier Force Majeure in accordance with Article 15 of the Rules and Regulations.

b) In the event Shipper's Contract Volume is reduced by Carrier in any Month pursuant to Section 6.2a), such reduced Contract Volume shall be deemed to be the "Contract Volume" during the applicable reduction period and Shipper's rights and obligations associated with the Contract Volume under this Agreement (except Shipper's obligation under ARTICLE 7) shall be adjusted accordingly for such reduction period.

6.3 If Carrier, in its sole discretion, determines that the Pipeline System requires additional expansion to provide the Transportation Service under Section 6.1 upon the in-service of the KXL Expansion Facilities, upon the issuance of the "Advance Notice" in respect of the KXL Expansion Facilities under the KXL TSAs, Carrier shall Notify Shipper that Shipper Holiday applies ("**Shipper Holiday Notice**"); and:

a) unless Shipper has elected the Diversion Option by Notice delivered to Carrier within 30 days of receipt of such "Shipper Holiday Notice", Shipper shall be deemed to have elected the Pause Option, in accordance with which, during the Pause Period: (1) Shipper's Contract Volume will be reduced to 0 cubic metres per day (0 barrel per day); (2) Shipper shall have no obligation in respect of the Monthly Revenue Commitment; and (3) the Contract Term and all of Shipper's other rights and obligations (except for Shipper's obligations under ARTICLE 7) shall pause for the Pause Period (collectively, the "**Pause Option**");

b) during the Pause Period, Shipper may by Notice delivered to Carrier elect the Diversion Option. If the Pipeline System operating conditions permit and capacity is available (as determined by Carrier in its sole discretion), Carrier will Notify Shipper the start date of the Diversion Period, which Notice shall be reasonably in advance to allow Shipper to submit Shipper's Monthly Nomination for the first Month of the Diversion Period (the "**Diversion Option Acceptance Notice**");

c) if the Shipper has elected the Diversion Option in accordance with Section 6.3a) or 6.3b), Shipper shall make the same election under the US TSA. In addition, during the Diversion Period: (1) the Diversion Contract Volume shall be deemed to be the "Contract Volume" for all purposes of this Agreement except for Shipper's obligations under ARTICLE 7; (2) the "Committed Toll" for an IL Delivery Point for a "Contract Term" of 20 years posted on the Toll Schedule shall be deemed to be the Fixed Toll applicable to Shipper under this Agreement in respect of the Diversion Contract Volume (the "**Diversion Toll**"); (3) the Diversion Period shall start from the KXL Commencement Date or the start date specified by Carrier in the Diversion Option Acceptance Notice, as applicable, and end on the last day of the Shipper Holiday; (4) if Shipper Nominates or changes a Monthly Nomination to the Cushing TADP, the Cushing TADP Toll shall be deemed to the "Committed Toll" in respect of the Diversion Contract Volume in the amount equal to the "Contract Diversion Volume" Nominated or changed by Shipper to the Cushing TADP under the US TSA; and (5) the Contract Term and all of Shipper's other rights and obligations shall continue (collectively, the "**Diversion Option**"); and

d) the "**Shipper Holiday**" commences on the KXL Commencement Date and ends in accordance with the following:

(i) in respect of Carrier, Carrier may, at any time within 24 months of the commencement of the Shipper Holiday:

1) by delivering a 30-day advance Notice to Shipper terminate the Shipper Holiday and this Agreement if Carrier has determined that the Transportation Service under Section 6.1 of this Agreement cannot be recommenced; or

2) Notify Shipper that the Shipper Holiday will terminate and the Transportation Service under Section 6.1 of this Agreement will recommence on the day set forth in such Notice (the "**Recommencement Date**");

(ii) in respect of Shipper:

1) if no Notice has been issued by Carrier in accordance with Section 6.3d)(i), Shipper may, by Notice delivered to Carrier no sooner than the first day of the 25th Month following the KXL Commencement Date and no later than the last day of the 26th Month following the KXL Commencement Date: (A) terminate the Shipper Holiday and this Agreement; or (B) permanently elect an IL Delivery Point as the Contract Delivery Point under the US TSA for the remainder of the Term; and

2) if Notice has been issued by Carrier in accordance with Section 6.3d)(i)1), Shipper shall have the single option, exercisable by Notice delivered to Carrier with 30 days of such Carrier's termination Notice, permanently elect an IL Delivery Point as the Contract Delivery Point under the US TSA for the remainder of the Term,

where Shipper has permanently elected an IL Delivery Point as the Contract Delivery Point under the US TSA for the remainder of the Term, the Diversion Toll shall be deemed to be the Fixed Toll under this Agreement; and Section 6.3c)4) shall continue apply to any Contract Volume Nominated or changed to the Cushing TADP.

(iii) if no Notice has been delivered to a Party on or prior to the last day of the 26th Month from the KXL Commencement Date, the Shipper Holiday and this Agreement shall immediately terminate without any action on the part of either Party on the last day of the 26th Month from the KXL Commencement Date;

e) if the Transportation Service under Section 6.1 recommences after the Shipper Holiday, then:

(i) if Shipper is in the Diversion Period immediately before the Recommencement Date: (A) the Fixed Toll shall automatically revert to the "Fixed Toll" set forth in Appendix 'B'; and (B) the Contract Volume shall automatically revert to the "Contract Volume" set forth in Appendix 'B'; or

(ii) if Shipper is in the Pause Period immediately before the Recommencement Date, the Contract Term, as well as Shipper's rights and obligations, shall resume on the Recommencement Date; and

f) if this Agreement is terminated in accordance with Section 6.3d), neither Party shall be liable under this Agreement for any costs, expenses, liabilities or obligation associated with the Pipeline System under this Agreement; provided however that Shipper's payment obligations under ARTICLE 9 and the Toll Schedule incurred on or before the termination of this Agreement shall survive the termination of this Agreement.

ARTICLE 7
CONTRACT FINANCIAL ASSURANCES

7.1 Shipper shall, if and when reasonably requested by Carrier at any time and from time to time for the purpose of providing the Transportation Services or continuing to provide the Transportation Services, whether prior to the Commencement Date or otherwise, provide to Carrier financial assurances or additional financial assurance on terms and from an issuer satisfactory to Carrier, acting reasonably (the "**Contract Financial Assurances**"), which may include a parental guarantee, a guarantee from a guarantor acceptable to Carrier or other form of financial assurance to secure all obligations or potential obligations of Shipper under this Agreement and, if applicable, the Tariff. Except as provided in this Section 7.1 Carrier will request the Financial Assurances in accordance with the Rules and Regulations.

ARTICLE 8
MAKE-UP RIGHTS AND BALANCING

8.1 In the event that, during the Term (excluding the Paused Period): (a) Shipper Tenders for shipment by Carrier in any Month a volume (as documented by delivery meter tickets) less than its Monthly Volume, or (b) Carrier does not accept Shipper's Tender, in whole or in part, of its Monthly Volume by reason of Force Majeure declared by Carrier, Shipper shall, to the extent that, in Carrier's discretion, operating conditions permit and capacity is available, be entitled to transport a Make-Up Volume of the difference between its Monthly Volume and volumes actually Tendered for shipment (as documented by delivery meter tickets) in that Month in any of the next following thirty-six (36) Months, provided that Shipper has first Tendered its Monthly Volume in such Months before making use of any Make-Up Volumes. Provided further, if such Force Majeure event continues beyond three (3) consecutive Months, Shipper shall not be entitled to accrue any make-up rights beyond such three (3) Month period.

8.2 Notwithstanding Section 8.1 or any other provision of this Agreement:

a) Shipper shall only have the right to utilize Make-Up Volumes to the Contract Delivery Point. Nominations in respect of any other Delivery Point shall be subject to additional tolls and other charges in accordance with the Tariff; and

b) In respect of Make-up Volumes Tendered:

(i) Shipper shall remain responsible for payment of the Variable Toll in respect of such Make-Up Volumes and, subject to Section 8.2b)(ii), no additional Fixed Toll will be payable by Shipper; and

(ii) in respect of Make-up Volumes accrued during the Diversion Period and Tendered after the Shipper Holiday to a Contract Delivery Point, in addition to the Variable Toll described in Section 8.2b)(i), Shipper shall pay an amount equal to the positive difference between the applicable Fixed Toll in effect when such Make-up Volume is Tendered and the applicable Fixed Toll in effect when such Make-up Volume was accrued.

c) in respect of any Make-up Volume accrued prior to and during the Shipper Holiday, the respective expiry date profile for such accruals will be extended accordingly for each

Month of the Paused Period which occurs after each Month in which such Make-up Volume was accrued.

8.3 Where Shipper's Monthly Nomination equals its Monthly Volume for a Month, and Carrier, solely for purposes of maintaining Carrier's batching schedule, accepts Tenders from Shipper of a volume less than or in excess of the Monthly Volume in such Month, Carrier and Shipper agree to use reasonable commercial efforts to reconcile such lesser or excess volume with the Monthly Volume transportable on the Pipeline System in the subsequent Month. In no event will Shipper be considered to fail to Nominate or Tender its Monthly Volume in any Month solely due to Carrier's batching or balancing requirements.

8.4 Shipper shall use reasonable efforts to provide Carrier with a minimum of one Month Notice of any planned reduction of volume to be Tendered for any Month where the Shipper reasonably anticipates that the reduction will be in excess of 5% of the Monthly Volume.

8.5 Any Make-Up Volumes of Shipper (and any rights associated therewith) arising out of this Agreement shall cease, expire and shall be forfeited by Shipper at the expiration of the earlier of: (a) the time period described in Section 8.1; and (b) the expiration of the Term.

ARTICLE 9
TOLLS

9.1 On each Payment Due Date during the Term, excluding the Paused Period, Shipper shall pay for the Transportation Services in accordance with this Agreement, including Appendix 'B', and the Tariff.

9.2 In the event:

a) of interruption, curtailment or reduction of Transportation Service pursuant to an outage by Carrier either as described in Section 13.1 of the Rules and Regulations or for any other reason not attributable to Shipper (the "**Curtailment**");

b) that the Contract Volume is deemed to be reduced in accordance with Section 5.3 or 6.2; or

c) that the Paused Period applies,

but except for Carrier Force Majeure in accordance with Article 15 of the Rules and Regulations, Shipper shall, for the period of such Curtailment, reduced Contract Volume or Paused Period, only be required to pay the Fixed Toll and the Variable Toll hereunder regarding the non-interrupted, non-curtailed or remaining portion of the Transportation Service.

9.3 In any Month that Shipper's Allocated Volume or actual volume Tendered (as documented by delivery tickets) exceeds its Monthly Volume, not including any Make-Up Volumes, such "**Excess Volume**" shall be equal to the sum of:

a) The positive difference, if any, between 95% of highest Allocated Volume minus the greater of: (A) actual volume Tendered (as documented by delivery tickets), (B) actual volume measured at the Receipt Point as documented by receipt tickets and (C) Monthly Volume, for such Month; plus

b) The positive difference, if any, between actual volume Tendered (as documented by delivery tickets) minus the sum of: (A) Monthly Volume, (B) any Make-Up Volume utilized, and (C) Operational Overage Volume for such Month,

Where "**Operational Overage Volume**" shall be equal to the positive difference between actual volume Tendered (as documented by delivery tickets) minus the greater of: (A) actual volume measured at the Receipt Point (as documented by receipt tickets) and (B) the sum of (1) its Monthly Volume and (2) any Make-Up Volume utilized, in each case determined for such Month,

Shipper shall pay to Carrier on the Payment Due Date an amount equal to the product obtained by multiplying the Uncommitted Toll times the Excess Volume.

9.4 In a Month where there is Operational Overage Volume, Shipper shall pay to Carrier, on the Payment Due Date, an amount equal to the product obtained by multiplying the Operational Overage Volume times the sum of the Fixed Toll plus the Variable Toll.

ARTICLE 10
TERM OF CONTRACT

10.1 This Agreement shall be effective as of the date it is signed by Shipper and Carrier. The "**Term**" of this Agreement means, unless terminated earlier in accordance with its terms,

a) initial term of this Agreement, which shall commence on the Commencement Date and shall, subject to the Paused Period, continue until the twentieth (20^{th}) anniversary of the Commencement Date, and

b) any extension term pursuant to Section 10.2.

10.2 Provided that:

a) this Agreement has not expired in accordance with Section 10.1 or terminated;

b) Shipper is not otherwise in default under this Agreement or the Tariff; and

c) Shipper or its Affiliate shall have contemporaneously exercised the equivalent option for the Keystone Canada Pipeline System pursuant to and in accordance with its US TSA,

Shipper shall have the single option, exercisable by Notice to Carrier received by Carrier not later than twenty-four (24) Months prior to the expiry of the Term, to extend the Term of this Agreement for a single additional ten (10)-Year Period. Such extension shall be on the same terms and conditions of this Agreement, provided that the Fixed Toll for such extended Term shall be calculated in the manner described in paragraph B.2 of Appendix 'B'. Carrier shall give Notice to Shipper of the Fixed Toll for such extended Term no later than twenty-seven (27) Months prior to the expiry of the initial Term, which Fixed Toll may be subject to regulatory approval.

ARTICLE 11
NOTICES

11.1 Any notice, request or demand ("**Notice**") to or upon the Parties shall be in writing and shall be validly communicated by the delivery thereof to its addressee, either personally or by courier facsimile, mail, or other electronic communications to the applicable address or facsimile number set forth below:

In the case of Carrier: **TransCanada Keystone Pipeline GP Ltd.**

450 1st Street S.W.
Calgary, Alberta T2P 5H1

Attention: Crude Oil Contracts Administration
Email: oil_pipelines@transcanada.com

In the case of Shipper: ____

____

____

Attn: ___________________________________

Email: ___________________________________

Fax: _____________________________________

Notice may be given by facsimile or email or other electronic communication and any such Notice shall be deemed to be given four (4) hours after the Notice is sent except when the Notice is sent after 2:00 pm local time at the location at which the delivery is made, then such Notice shall be deemed received as of 8:00 am on the next Business Day (as defined below). Notice may also be given by personal delivery or by courier and any such Notice shall be deemed to be given at the time of delivery; provided that any Notice delivered between the hours of 5:00 p.m. and 8:00 a.m., local time at the location at which the delivery is made, shall be deemed to have been received at 8:00 a.m., local time at the location at which the delivery is made, of the Business Day immediately following actual delivery. Any Notice may also be given by prepaid mail and any such Notice shall be deemed to be given 4 Business Days after mailing. For the purposes of this Section 11.1, a "**Business Day**" is any day from 8:00 a.m. to 5:00 p.m., excepting Saturdays, Sundays and statutory holidays at the place of receipt. In the event regular mail service, courier service, facsimile or electronic communications shall be interrupted by a cause beyond the control of the Parties, then the Party sending the Notice shall utilize any service that has not been so interrupted to deliver such Notice. Each Party shall provide Notice to the other of any change of address for the purposes hereof. Any Notice may also be given by telephone followed immediately by personal delivery, courier, prepaid mail, facsimile, email or other electronic communication, and any Notice so given shall be deemed to be given as of the date and time of the telephone notice.

11.2 Notwithstanding the provisions of Section 11.1, operational notices to Shipper may be delivered by Carrier via the Keystone Customer Portal.

ARTICLE 12
MISCELLANEOUS PROVISIONS

12.1 Where this Agreement provides for audit rights, the auditing Party and its representatives shall have the right to audit the relevant books and records during regular business hours and in a manner that does not unreasonably interfere with the other Party's business or operations (upon reasonable and timely notice and at the auditing Party's expense). In recognition of the likelihood that certain portions of those records may be considered highly confidential, the audit rights set forth in this Section 12.1 may, in those instances, be exercised through an independent auditor retained by, and at the expense of, the auditing Party. Such independent auditor shall not disclose the confidential information to the auditing Party, but may only provide its conclusion as to the accuracy of the information subject to the audit.

12.2 The Petroleum Toll Schedule – Uncommitted Volumes and the Rules and Regulations set out in the Tariff as in effect at that time, as each may be amended or approved from time to time by Carrier or the NEB, are all by reference made a part of and incorporated into this Agreement and operations hereunder shall, in addition to the terms and conditions set out in this Agreement, be subject to the provisions thereof. Carrier shall notify Shipper at any time that Carrier proposes to amend the Tariff, or otherwise files with the NEB revisions to the Tariff and shall provide Shipper with notice of such revisions.

12.3 If as a result of a final, non-appealable ruling by any regulatory, administrative, governmental, or judicial authority having jurisdiction during the Term, Carrier or Shipper is unable to perform any obligation under this Agreement, then Carrier and Shipper will diligently and in good faith seek to renegotiate the terms of this Agreement to comply with such ruling and in accordance with the initial expectations of the Parties under this Agreement.

12.4 This Agreement, and any claims against Carrier arising directly or indirectly out of or in connection with this Agreement, may be assigned, in whole or in part, by Shipper only:

a) (i) with the prior written consent of Carrier, which consent shall not be unreasonably withheld, and (ii) when the proposed assignee has provided to Carrier either (A) such Financial Assurances, or (B) such Contract Financial Assurances, in each case as Carrier may demand in accordance with ARTICLE 7 of this Agreement; or

b) to its Affiliate, upon thirty (30) days' prior Notice to Carrier, provided that, until and unless the provisions of Section 12.4(a) are complied with, Shipper and its Affiliate shall remain jointly and severally liable for any and all obligations arising under or out of this Agreement.

12.5 Carrier may assign this Agreement and/or any rights arising hereunder without restriction to: (a) any other Person upon the merger, amalgamation, consolidation or reorganization of Carrier with such Person, (b) an Affiliate of Carrier, or (c) in connection with the sale of all or substantially all of the assets of Carrier to any other Person.

12.6 This Agreement shall be construed and applied and be subject to the laws of the Province of Alberta, Canada, and the laws of Canada applicable therein, and shall be subject to the rules, regulations and orders of any regulatory or legislative authority having jurisdiction on the applicable subject matters, including the NEB. The Parties hereby consent and attorn to the courts of the Province of Alberta in respect of any action, suit or other judicial procedures in respect of this Agreement. **EACH PARTY SPECIFICALLY AND KNOWINGLY WAIVES ANY TRIAL BY JURY.**

12.7 The failure by any Party to insist on the strict performance of any of the provisions of this Agreement or to take advantage of any of the rights hereunder, shall not be construed as a waiver of any such provisions or relinquishment of any such rights, but the same will continue in full force and effect.

12.8 This Agreement shall be binding upon and enure to the benefit of the respective successors and permitted assigns of the Parties.

12.9 This Agreement may be executed and delivered by the Parties in counterparts, including execution and delivery by email, and all such counterparts shall together constitute one and the same agreement.

IN WITNESS OF WHICH the Parties have executed and delivered this Agreement as of the date first above written.

TRANSCANADA KEYSTONE PIPELINE GP LTD. as general partner on behalf of **TRANSCANADA KEYSTONE PIPELINE LIMITED PARTNERSHIP**	______________________ ______________________ ______________________
By: ______________________ Name: Title:	By: ______________________ Name: Title:
By: ______________________ Name: Title:	By: ______________________ Name: Title:

APPENDIX 'A'
TO
KEYSTONE CANADA PIPELINE SYSTEM PETROLEUM TRANSPORTATION SERVICE AND THROUGHPUT AGREEMENT
(KB CAPACITY EXPANSION – PORT ARTHUR/ HOUSTON DELIVERY POINTS – 2019)

Bid Contract Volume and Awarded Contract Volume

A. Transportation Services under this Agreement are for:

1. **Contract Term**: Twenty (20) years, subject to ARTICLE 10 of this Agreement

2. **Contract Volume** ____________ m^3/day (______________barrels per day*), subject to ARTICLE 5 and ARTICLE 6 of this Agreement

* Shipper shall complete the Contract Volume, which may be adjusted by Carrier in accordance with the Open Season Notice.

APPENDIX 'B'
TO
KEYSTONE CANADA PIPELINE SYSTEM PETROLEUM TRANSPORTATION SERVICE THROUGHPUT AGREEMENT
(KB CAPACITY EXPANSION – PORT ARTHUR/ HOUSTON DELIVERY POINTS – 2019)

SCHEDULE OF TOLLS AND TOLLING PRINCIPLES

A. TRANSPORTATION TOLLS

1. **Payment:** Every Month during the Term (excluding the Paused Period), Shipper shall pay to Carrier on the Payment Due Date, consistent with ARTICLE 9 of the Agreement, the tolls and other charges set forth below and in the Tariff.

B. FIXED TOLL & MONTHLY REVENUE COMMITMENT

1. **Calculation of Monthly Revenue Commitment:** Every Month during the Term (excluding the Paused Period), Shipper shall pay a "**Monthly Revenue Commitment**" in respect of its Monthly Volume. Shipper's Monthly Revenue Commitment for any Month shall be the product obtained by multiplying the Fixed Toll times the Monthly Volume.

Fixed Toll in Cdn $ ***Per m^3 (bbl)***	***$ 8.592 / m^3 ($ 1.366 / bbl)*** * such toll does not apply during the Shipper Holiday if Shipper has elected the IL Delivery Point as the Contract Delivery Point

2. **Fixed Toll Applicable to Extension Term:** In the event that Shipper exercises its option to extend the initial Term in the manner described in Section 10.2 of the Agreement, the Fixed Toll applicable and payable for such extension Term shall be such Fixed Toll as is established by Carrier at the time of renewal in accordance with Section 10.2 of the Agreement.

3. **Suspension due to Force Majeure:** In the event that the Carrier declares a Force Majeure event pursuant to Article 15 of the Rules and Regulations, and the term of the Force Majeure event continues beyond three (3) consecutive months, no Fixed Toll in respect of the Contract Volume will be payable by Shipper during the remaining period of such Force Majeure event.

C. VARIABLE TOLL

1. **Payment of Variable Toll:** In addition to paying the Monthly Revenue Commitment each Month calculated on the Monthly Volume, Shipper shall pay on the Payment Due Date an amount equal to the product of (i) the Variable Toll (as calculated below) for the relevant Type(s) of Petroleum and the relevant Delivery Point, times (ii) the number of kilometres to such Delivery Point, times (iii) (subject to Section 9.1 of the Agreement) the Monthly Volume actually Tendered by the Shipper for such Month.

$$\textbf{Variable Toll} = \frac{\text{Operating, Maintenance and Administration Costs for that Month}}{\text{Weighted Barrel Kilometres for that Month}}$$

Where:

Weighted Barrel Kilometres equals Light Barrel Kilometres + Heavy Barrel Kilometres;

Light Barrel Kilometres equals the sum for each Receipt Point of the product of the volume of Light Crude Tendered (as measured at the relevant Delivery Point) in a Month by all Shippers at such Receipt Point, multiplied by (i) the number of kilometres to the relevant Delivery Point, and (ii) 0.70; and

Heavy Barrel Kilometres equals the sum for each Receipt Point of the product of the volume of Heavy Crude Tendered (as measured at the relevant Delivery Point) in a Month by all Shippers at such Receipt Point, multiplied by the number of kilometres to the relevant Delivery Point.

The Variable Toll in respect of Heavy Crude shall be the amount as calculated above, and the Variable Toll in respect of Light Crude shall be such amount multiplied by 0.70.

2. **Estimate of Variable Toll:** On an annual basis during the Term, Carrier will estimate the "Operating, Maintenance and Administration Costs" that Carrier will incur in operating, maintaining and administering the Pipeline System for the upcoming Year (on a Monthly basis), and allocate such costs over estimated volumes to estimate the "**Variable Toll**" for each Month in the Year. In estimating the Variable Toll, Carrier shall consider the average actual costs incurred by Carrier over prior Monthly periods as well as Carrier's forecast of prices, Types of Petroleum, input costs, load factor on the Pipeline System, inflation, consumption patterns and any other relevant factors.

For the purposes of calculating the Variable Toll, "**Operating, Maintenance and Administration Costs**" shall include all operating, maintenance and administration costs and expenses incurred by or on behalf of Carrier in respect of the Pipeline System, including:

(a) operating, maintenance, administrative and general costs and expenses (including pipeline inspection and pipeline repairs) and other overhead costs or expenses directly allocable to the Pipeline System;

(b) property taxes;

(c) capital taxes;

(d) insurance;

(e) power;

(f) regulatory costs;

(g) costs attributable to changes in laws and regulations (including income taxes based on changes in income tax rates or taxing methodology) that apply to Carrier or the Pipeline System; and

(h) all other costs and expenses similar in nature to any of the foregoing.

3. **Extraordinary Maintenance Costs/Non-routine Adjustments:** Where maintenance costs and expenses associated with any single expenditure or expenditures in respect of the same or a common matter or project exceed Cdn$2,000,000, such amounts will be treated as a non-routine adjustment ("**NRA**"). Carrier will provide prompt notice to Shipper of any NRA and consult with the Term Shippers as to a reasonable allocation of such NRA into the Variable Toll. All NRAs

will be amortized in accordance with good accounting practice and (i) added to the Variable Toll in each Year following the inclusion of the related adjustment into the Operating, Maintenance and Administration Costs, and (ii) allocated into the Variable Toll for each Month in such Year and any subsequent Years for so long as, and to the extent that, such maintenance costs and expenses have not been fully recovered by Carrier through the Variable Toll.

4. **Applicable Variable Toll:** The Variable Toll for the Year in which the Commencement Date occurs (based on the Type(s) of Petroleum) shall be as posted in the Tariff. Thereafter, Carrier will revise the estimated Variable Toll annually and provide Shipper with such revised toll, together with details of its calculation and explanation for any adjustments from the previous applicable Variable Toll, on or before December 1 of each Year during the Term. Such estimated Variable Toll shall take effect as of January 1 of the succeeding Year.

5. **Final Variable Toll:** After the end of each Year, Carrier will determine the actual Operating, Maintenance and Administration Costs incurred by Carrier in operating the Pipeline System for such Year, as recorded in Carrier's financial records. Such actual costs shall be allocated over the volumes Tendered by all shippers in such Year to determine the final Variable Toll. Carrier will provide Shipper with notice of the final Variable Toll, together with details of its calculation and explanation for any adjustments from the estimated Variable Toll. If the final Variable Toll for the applicable Year is greater than or less than the estimated Variable Toll charged to Shipper for such Year, Carrier shall apportion the difference in twelve (12) equal Monthly installments for the upcoming Year and credit (if the difference is negative) or charge (if the difference is positive), as the case may be, Shipper an amount equal to the difference between the estimated Variable Toll and the final Variable Toll and the aggregate of Shipper's Nominations, up to a maximum of Shipper's Monthly Volume for such Year. Additional amounts to be charged to Shipper or credited to Shipper shall incur an interest carrying charge on the outstanding balance at the Prime Rate, from the Month the relevant Operating, Maintenance and Administration Costs were incurred, until (i) in the case of a charge, the relevant charge has been paid in full by Shipper in the manner contemplated in this paragraph C.5, or (ii) in the case of a credit, the date such credit is issued by Carrier.

6. **Audit Right**: Shipper shall have the right to conduct a single audit of the calculations underlying the final Variable Toll within twelve (12) Months of the date of Carrier's notice of the final Variable Toll pursuant to paragraph C.5, in accordance with the audit procedure in Section 12.1 of the Agreement. Shipper shall use commercially reasonable efforts to coordinate the conduct of any such audit with the other Term Shippers and with any equivalent audit carried out under the provisions of the US TSA. In conjunction with the right to conduct an audit of the calculations underlying the final Variable Toll, Shipper shall have the right to conduct an audit of the calculations provided by Carrier of any actual gains or actual losses due to evaporation or shrinkage and any other line losses due to normal pipeline operations. Such audit will be conducted in accordance with the audit procedures in Section 12.1 of the Agreement, and for greater certainty will not include any information attributable to individual shippers.

7. **Incentive Tolling Arrangements:** After the third anniversary of the Commencement Date, Carrier shall seek to negotiate an incentive tolling agreement with the Term Shippers whereby Term Shippers and Carrier would be entitled to share in any cost savings realized as a result of any reductions in the Operating, Maintenance and Administration Costs.

IR Number: P66-Husky No. 1.17

Category: Hearing Order No: AO-001-RH-005-2020

Topic: **Details and Explanation of Open Seasons**
Explanation of use of DRA to increase capacity for 2019 Open Season Contracts

Reference: (i) Written Evidence of TransCanada Keystone Pipeline Limited Partnership, Filed 22 January 2021, PDF page 18 of 135 (A7Q6W4).

Preamble In Reference (i), PDF page 18 of 135, Keystone states it used DRA injections to increase pipeline capacity and "[t]he resulting increase to the total pipeline capacity will support additional egress from the Western Canadian Sedimentary Basin to certain shippers who have committed to the total incremental 50,000 bpd of firm capacity on Keystone through a 2019 Open Season."

Request: (a) Please provide all workpapers, schedules, studies and analyses used to determine the amount of DRA that should be used to increase pipeline capacity prior to the 2019 Open Season.

Response:

(a) Keystone declines to provide this data on the grounds that the request is unreasonable and unduly broad. The time, effort and expense involved in the preparation of a response are not warranted by the relevance, if any, of the information sought, by the significance of that information in the context of the proceeding, or by the probative value of the result. The unqualified breadth of the request lacks appropriate specificity and amounts to a "fishing expedition".

IR Number: P66-Husky No. 1.18

Category: Hearing Order No: AO-001-RH-005-2020

Topic: **Details and Explanation of Open Seasons**
Explanation of 2021 Open Season

Reference:

(i) TC Energy Media Advisory, TC Energy Launches Binding Open Season for the Keystone Pipeline System, Published 6 January 2021: https://www.tcenergy.com/announcements/2021-01-06-tc-energy-launches- binding-open-season-for-the-keystone-pipeline-system/

(ii) TC Energy, Keystone Pipeline System – Shipper Information, Published 6 January2021: https://www.tcenergy.com/operations/oil-and- liquids/keystone-pipeline-system-shipper-info/

(iii) CBC, TC Energy invites bids for Keystone pipeline space as plans advance for Keystone XL, Published 6 January 2021: https://www.cbc.ca/news/canada/calgary/tc-energy-bids-keystone-xl- pipeline-oil-biden-1.5863463

Preamble

In Reference (i), TC Energy announced the launch of "an open season to solicit binding commitments for crude oil transportation services on the Keystone Pipeline System from Hardisty, Alberta to Patoka, Illinois."

In Reference (ii), TC Energy announced that up to 80,000 bpd of capacity is being offered as part of the 2021 Open Season.

In Reference (iii), TC Energy spokesman Terry Cunha is quoted as saying "[t]his open season is just really a reflection of today's market and trying to sign up those contracts as some of our capacity shifts to Keystone XL."

Request:

(a) Please provide all documents related to the 2021 Open Season, including all communications with potential or contracted shippers with respect to such expansion capacity.

(b) Please identify all Keystone personnel knowledgeable regarding the 2021 Open Season.

(c) Please state the earliest expected in-service date for the expansion capacity that is the subject of the 2021 Open Season.

(d) Please provide all workpapers, schedules, studies and analyses used to determine how Keystone will expand its capacity to meet the additional demand from the 2021 Open Season.

(i) In your response to (d), include reference to any analysis(es) or report(s) that discuss plans to expand Keystone's capacity in the event that the construction of Keystone XL does not proceed as planned.

Response:

(a) through (d)

The 2021 Open Season was terminated on February 12, 2021, and as such, these questions are not relevant to the list of issues for this proceeding.

IR Number: P66-Husky No. 1.19

Category: Hearing Order No: AO-001-RH-005-2020

Topic: **Pipeline Integrity Program**
Details of the scope and cost of the pipeline integrity program

Reference:

(i) Written Evidence of TransCanada Keystone Pipeline Limited Partnership, Filed 22 January 2021, PDF page 12 of 135 (A7Q6W4).

(ii) Keystone Quarterly Surveillance Report, Q4 2019, Filed 2 March 2020, PDF pages 4 and 7 of 9 (A7D7V1).

(iii) Keystone Quarterly Surveillance Report, Q4 2018, Filed 1 March 2019, PDF pages 4 and 7 of 9 (A98117).

Preamble

In Reference (i), at PDF page 12 of 135, Keystone explains that the budget used to calculate the Estimated Variable Toll varies as, "in some instances, costs will increase as a result of market increases, inflationary pressures, periodic maintenance requirements or changing levels of regulatory activity, and Keystone's ongoing assessment of its facilities in an ongoing effort to understand and manage the integrity of the Keystone Pipeline System."

In Reference (ii), at PDF page 7 of 9, the actual annual Keystone pipeline system integrity spending is outlined for the year ended December 31, 2019. Total operating expenses from incurred by the Keystone Pipeline System Integrity program were $17,976,000.

In Reference (iii), at PDF page 7 of 9, the actual annual Keystone pipeline system integrity spending is outlined for the year ended December 31, 2018. Total operating expenses from incurred by the Keystone Pipeline System Integrity program were $14,880,000.

Information regarding the allocation of costs from the pipeline integrity program is required to determine whether CER Tariff No. 44 and CER Tariff No. 50 have been determined in a manner consistent with the approved tolling methodology and TSAs.

Request:

(a) Please provide Keystone's presentations, manuals, or other documents produced from January 2016 to the present that explain the operations and cost allocations between segments of Keystone's system related to Keystone's pipeline integrity program.

(b) Please state when Keystone expects any currently effective pressure reductions on the Keystone US Pipeline and Keystone Canadian Pipeline to be resolved:

(i) Please provide all documents related to your response.

(ii) Please identify all Keystone personnel knowledgeable regarding Keystone's pressure reductions.

(c) Please provide a narrative description of any differences between Keystone's 2020 or 2021 pipeline integrity program and that program from the prior years of 2016, 2017, 2018, and 2019.

(d) Please identify any changes to Keystone's 2020 and/or 2021 pipeline integrity program that are temporary (i.e., short term) versus indefinite (i.e., long term) and provide a narrative explanation of the nature of those changes and their planned duration.

(e) Please provide an accounting of Keystone's pipeline integrity program OM&A Costs from 2016 to 2020, inclusive, on both a regulatory (CER reporting) expense and GAAP expense basis. To the extent Keystone tracks pipeline integrity spending by category or type of expenditure (e.g., inspection, corrosion repairs, crack repairs), please provide the amounts spent by category.

(i) Include all category identification information and codes (such as those provided in response to Request 1.6) associated with the expenses provided.

(f) Please provide all documents related to Keystone's accounting procedures pertaining to OM&A costs related to Keystone's pipeline integrity program. To the extent Keystone maintains different accounting procedures for regulatory (CER reporting) expense and GAAP accounting, please provide the accounting procedures for both.

(g) Please provide an accounting report of Keystone's pipeline integrity program capital investment from 2016 to 2020, inclusive, on both a regulatory (CER reporting) and GAAP basis. To the extent Keystone tracks pipeline integrity spending by category or type of expenditure (e.g., inspection, corrosion repairs, crack repairs), please provide the amounts spent by category.

(h) Please provide all documents related to Keystone's accounting procedures pertaining to capital investment related to Keystone's pipeline integrity program. To the extent the Keystone maintains different accounting procedures for regulatory (CER reporting) expense and GAAP accounting, please provide the accounting procedures for both.

(i) Please provide all management-level analyses, studies, memoranda, or other documents prepared by or on behalf of Keystone personnel since January 1, 2016 related to Keystone's pipeline integrity program.

(j) Please provide copies of all the AFE document(s) associated with Keystone's pipeline integrity program on its Canadian segment from January 1, 2016 to the present.

Response:

(a) Pipeline integrity costs consist of charges for materials, services and labor directly related to supporting these activities on the Keystone Pipeline System. These activities are uniquely tracked for each pipeline that TC Energy operates. Corporate Enterprise Services are allocated to pipeline integrity programs as an overhead factor applied to labor charges.

Please refer to Attachment P66-Husky 1.7d-1 for information on TC Energy Cost Allocation Principles and Framework.

(b) Effective February 2021, there are currently no pressure restrictions.

(c) The 2020 Pipeline Integrity Enhancement Program was designed to be a temporary two-year program that has the following objectives for the entire Keystone Pipeline System:

- Ensure that updated axial crack inspection data with the latest technology was available for each of the Keystone mainline segments.
    - This requires performing additional inspections covering over 4,000 kilometres with state-of-the-art technologies in 2020 and 2021.
- Validation of tool performance and technology
    - Construction of a new calibration spool used to verify tool performance and optimize integrity decisions based on in-line inspection data
- Immediate response to integrity and regulatory engagement
    - Over 20 excavations performed. An additional expanded investigative program planned for early 2021 execution.

- Validation research from inspection vendors and additional in-ditch non-destructive evaluation (NDE) requirements
- Evaluate new technologies that may identify new threats
  - Pilot investigation of circumferential cracking threat (e.g., girth welds, wrinkles, construction defects)
  - Additional investigation into dormant threats such as strain

This program is applicable only to new build portions of the Keystone Pipeline System, which is approximately 360 kilometers of new build pipe on the Canadian segment. The Conversion Integrity Program has not been affected or changed in 2020.

Based on the results of the Pipeline Integrity Enhancement Program, it is expected that there will be an indefinite incremental increase over the historical average costs (i.e., 2015-2019 costs) due to increased in-line inspection (ILI) frequencies, validation digs, and continued enhancements to validation spools to maintain higher reliability on the new build sections of the Canadian segment of the Keystone Pipeline System.

(d) Refer to (c) above

(e) The CER's process direction provided for in section 3.6 of Hearing Order AO-001-RH-005-2020 limits information requests to matters relevant to the evidence that has been placed on the record by Keystone or related to one or more of the issues identified. Given that Keystone's evidence and the issues identified by the CER are limited to the 2020 and 2021 Estimated Variable Tolls, the information requested for years prior to 2020 is not relevant to the issues set out in the proceeding. Further, it is the estimated toll that is at issue in this proceeding and not the actuals. In any event, the 2020 actuals for the 2020 Final Variable Toll are not yet finalized but will be on or before April 1, 2021.

(f) Please refer to Attachment P66-Husky 1.11c for accounting procedures pertaining to Keystone's pipeline integrity program. There are no differences between CER and GAAP with regard to accounting procedures for Keystone.

(g) An accounting of Keystone pipeline integrity capital expenditures for the 2020 – 2021 Estimated Variable Toll is provided in the table below:

Pipeline Integrity-Expense	Estimate	
	2020	2021
In-Line Inspection (ILI)	6,142,000	3,414,465
Excavation Digs	15,180,000	807,300
Other	2,643,368	3,739,559
Facilities Pipeline Integrity	-	1,936,692
Enhancement Program	-	(807,300)
Total (Included in Tolls)	***23,965,368***	***9,090,716***

There are no differences between CER and GAAP in regard to accounting procedures for Keystone.

For the years prior to 2020, the CER's process direction provided for in section 3.6 of Hearing Order AO-001-RH-005-2020 limits information requests to matters relevant to the evidence that has been placed on the record by Keystone or related to one or more of the issues identified. Given that Keystone's evidence and the issues identified by the CER are limited to the 2020 and 2021 Estimated Variable Tolls, the information requested for years prior to 2020 is not relevant to the issues set out in the proceeding. Further, it is the estimated toll that is at issue in this proceeding and not the actuals. In any event, the 2020 actuals for the 2020 Final Variable Toll are not yet finalized but will be on or before April 1, 2021.

(h) Refer to (f) above.

(i) and (j)

Keystone declines to provide this data on the grounds that the request is unreasonable and unduly broad. The time, effort and expense involved in the preparation of a response are not warranted by the relevance, if any, of the information sought, by the significance of that information in the context of the proceeding, or by the probative value of the result. The unqualified breadth of the request lacks appropriate specificity and amounts to a "fishing expedition".

Further, Keystone declines to provide the requested information because it is commercially sensitive and confidential. Keystone has consistently treated the information as confidential, and disclosure could reasonably be expected to result in a material loss to (Keystone or other party) or could reasonably be expected to prejudice the party's commercial position.