



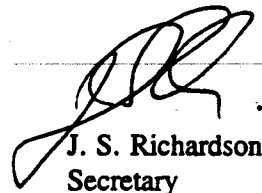
File 132-A000-27
6 December 1995

**To: ALL COMPANIES UNDER THE BOARD'S
JURISDICTION AND INTERESTED PARTIES**

**Re: Regulation of Group 2 Companies
Update of the Memorandum of Guidance dated 22 November 1990**

Attached is an updated version of the Memorandum of Guidance on the regulation of Group 2 companies that the Board issued on 22 November 1990.

Since the issuance of the Memorandum of Guidance in 1990, there have been further developments in the Board's regulations and policy instruments, most notably the issuance of the *Guidelines for Filing Requirements* on 22 February 1995. These changes have required a further update of the Memorandum of Guidance.



J. S. Richardson
Secretary

Attach.



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MEMORANDUM OF GUIDANCE

Regulation of Group 2 Companies

This Memorandum of Guidance updates and replaces the one issued on 22 November 1990. Most changes stem from the amendments in the Board's enabling statutes and regulations.

The pipeline companies regulated by the Board are divided into two groups. Group 1 companies are generally identified as those with extensive systems under the Board's jurisdiction, whereas those with lesser operations are designated as Group 2 companies.

This Memorandum of Guidance streamlines and simplifies, for Group 2 companies, the regulatory requirements of the *National Energy Board Act* ("NEB Act"), the *Guidelines for Filing Requirements* ("Guidelines") issued 22 February 1995, the *Onshore Pipeline Regulations* ("OPR"), the *Oil Pipeline Uniform Accounting Regulations*, the *Gas Pipeline Uniform Accounting Regulations*, and the *Pipeline Crossing Regulations* ("PCR"). Group 1 companies are not affected by this Memorandum of Guidance and continue to be subjected to the full existing regulatory requirements.

Group 1 companies consist of the ten pipeline companies listed below.

Alberta Natural Gas Company Ltd
Cochin Pipe Lines Ltd.
Foothills Pipe Lines Ltd.
Interprovincial Pipe Line Inc.
Interprovincial Pipe Line (NW) Ltd.
TransCanada PipeLines Limited
Trans Québec & Maritimes Pipeline Inc.
Trans Mountain Pipe Line Company Ltd.
Trans-Northern Pipelines Inc.
Westcoast Energy Inc.

Any company which is not a Group 1 company is considered to be a Group 2 company. For a listing of Group 2 companies, please consult the Board's most recent Annual Report.


Schedules A and B deal with the Board's two basic types of regulation, namely facilities and financial. The extent of those two types of regulation for Group 2 companies is as follows:

.../2

Facilities: Schedule A sets out the minimum information requirements for the design, construction, and operation of pipelines.

Financial: Schedule B sets out the guidelines for the regulation of tolls and tariffs. Financial regulation of Group 2 companies is normally carried out on a complaint basis, with a consequent reduction in financial reporting requirements. Detailed information in support of a tariff filing will be required only after a complaint has been received or upon request by the Board.

The Board believes that the Memorandum of Guidance will provide continued guidance and information to Group 2 companies and to potential applicants. Even though it can be used on a stand-alone basis, the Memorandum of Guidance is a general guideline only. Explanatory details of the requirements in Schedules A and B can be found in the NEB Act, the Guidelines and the above-mentioned regulations. These documents must be consulted to ensure that all regulatory requirements are satisfied.


J.S. Richardson
Secretary

GUIDELINES FOR THE REGULATION OF THE TRAFFIC, TOLLS AND TARIFFS OF GROUP 2 COMPANIES

Tolls and Tariffs

The Board regulates the traffic, tolls and tariffs of Group 2 companies on a complaint basis. Companies may only charge tolls specified in a tariff that has been filed with the Board and is in effect or that have been approved by an order of the Board. Group 2 companies are required to include in their tariffs an explanatory note which states:

"The tolls of the Company are regulated by the National Energy Board on a complaint basis. The Company is required to make copies of tariffs and supporting financial information readily available to interested persons. Persons who cannot resolve traffic, toll and tariff issues with the Company may file a complaint with the Board. In the absence of a complaint, the Board does not normally undertake a detailed examination of the Company's tolls."

Group 2 companies are not normally required to provide the detailed information to support a tariff filing specified in Part X of the Board's Guidelines. It is the responsibility of a Group 2 company to provide its shippers and interested parties with sufficient information to enable them to determine whether a complaint is warranted. Upon receipt of a written complaint, an application under Part IV of the NEB Act or on its own initiative, the Board may decide to examine a toll and to make the toll interim, pending completion of this examination. In this circumstance, the Board may request additional information including some or all of the information specified in Part X of the Guidelines.

Accounting Requirements and Financial Reporting

The Board has exempted all Group 2 companies from the requirement to keep their books of account pursuant to the code of accounts prescribed in the uniform accounting regulations. The Board only requires that Group 2 companies maintain separate books of account in Canada in accordance with generally-accepted accounting principles and file audited financial statements within 120 days after the end of each fiscal year. Such statements should provide details of revenue and costs associated with the regulated pipeline. Where a Group 2 company operates a joint venture pipeline, it is required to disclose in its audited financial statements its beneficial share of revenue and costs associated with the regulated pipeline and to file a gross operating statement for the joint venture pipeline indicating whether, and if so by whom, this statement has been audited.

In some instances, the Board has granted relief from the requirement to file financial statements. These instances have primarily concerned small shipper-owned pipelines with no direct dealings with third parties. A Group 2 company may apply for similar relief explaining the particular circumstances which would justify an exemption from this requirement.

The Board has exempted Group 2 companies from the *Toll Information Regulations*. The Board does not require Group 2 companies to provide periodic financial information, such as quarterly surveillance reports, for the purpose of monitoring the financial performance of these companies. As circumstances dictate, the Board may perform an audit of a company's records.