

## Responses to Questions

November 16, 2021

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1. Trans Mountain has stopped stating publicly that TMX would be 'in service' by the December 2022. They now state: "Trans Mountain anticipates mechanical completion of the Project by the end of 2022, with commercial operations commencing shortly thereafter." According to Trans Mountain's website, construction on some segments will continue well into 2023. What is the current 'in service' date projected for TMX? What are the financial implications of the delays to the in-service date?
  - A. *Trans Mountain anticipates commercial operations, or "in-service", to begin soon after the Project is mechanically complete. Trans Mountain has not announced an update to the Project's cost or schedule.*
  
2. Earlier construction plans, including the master schedule forecast that the horizontal directional drilling (HDD) under the Fraser River will take 15 months. This work was originally scheduled to start in March 2020. According to the October 2021 construction update, this work had not yet commenced, and is now forecast to take only two months. How as Trans Mountain managed to reduce the Fraser River HDD work from 15 months to two months? What are the implications on safety and on the project schedule of these changes? What are the cost implications of the delayed start date and the compressed schedule?
  - A. *The Master schedule referenced shows the duration of all of the major, trenchless crossings in Spread 7. It includes the Fraser River HDD, the Salmon River crossing, three in the Surrey Bend area and Redwoods Golf Course. It shows approximately 15-16 months for the total time needed from the start of those crossings until they are all completed. The line in the October 2021 construction update referenced shows just the Fraser River HDD, which is expected to take approximately two months.*
  
3. Trans Mountain Executive Vice President David Safari swore in an affidavit dated May 11, 2020: "if pipeline construction in the Coquihalla Summit Area is not completed by the end of 2021, these activities will need to be completed in the 2022 construction season (i.e., summer/fall of 2022),

requiring hydrotesting and valve installation to occur in the spring/summer of 2023 and pipeline commissioning in the fall of 2023. Such a scenario would delay the In-Service Date by up to eleven (11) months and result in incremental construction costs of approximately \$50-60 million CAD. These costs are a result of adding a third construction season, including direct and indirect labour, equipment and temporary infrastructure". Please confirm that the construction window for the Coquihalla summit is limited by snowpack (November-May) and migratory bird nesting windows. Please confirm that Trans Mountain complied with the evacuation orders related to the July Mountain forest fire in 2021 that engulfed the Coquihalla summit. What were the costs in terms of time and money of the 2021 construction window being further limited by forest fire season? How is Trans Mountain planning to adapt to future forest fire seasons in terms of: Construction of TMX; and Operation of the pipeline?

- A. *Winter and other conditions impact the timing and types of activities that can be undertaken on the Coquihalla summit. Our priority is the health and safety of our workforce, their families, and our communities. Our employees, contractors and general construction contractors were available when BC Wildfire Service or Emergency Management British Columbia needed assistance and our crews helped in a number of wildfire situations.*

*We altered some workplans, at the request of the Kamloops Fire Service. In recognition of the essential service Trans Mountain Pipeline provides and the national interest of the Expansion Project, Trans Mountain had an exemption permit in place that allowed work to continue during high and extreme fire hazard situations. This permit has conditions including regular reporting, equipment/water that must be on-site and the requirement to assist in firefighting nearby if necessary.*

*Trans Mountain's pipeline operations are largely protected from forest fire activity as most facilities are underground. Above ground facilities have fire protection or buffer zones around the locations. Operations are carefully monitored during fire events and actions are taken to ensure that the safety of the public, workers and the environment is paramount.*

4. Trans Mountain has stated on numerous occasions that delays to in-service date will cost \$100 million per month of delay in lost revenue and millions of dollars in incremental construction costs. What are the incremental construction costs from the stop work order (Dec 2020-Feb 2021)? What

are the incremental construction costs related to the stop work order from April- August 2021 related to Migratory Bird Act violations? What are the incremental construction costs related to the delays in construction in each spread of the pipeline as set out in Trans Mountains monthly construction updates?

A. *Trans Mountain has not announced an update to the Project's cost. These factors are among a variety of factors that will be reflected in future estimates of the Project cost.*

5. The construction cost estimate for TMX has increased steadily, from \$5.4B in 2014; to \$6.8B in 2015; to \$7.4B in 2017; to \$9.3B in 2018; and \$12.6B in February 2020. This does not include the \$600 million special contingency account. Please confirm that it is standard practice to include contingency in a capital budget. Please provide a current construction cost estimate for TMX, including contingency.

A. *The Project cost estimate appropriately includes a contingency allowance which is customary for Projects of this size and complexity. The "special contingency" as referenced in the question is in addition to the contingency allowance included in the Project's cost estimate.*

6. Last year, Trans Mountain stated that any cost overruns would be recovered in accordance with the tolling principles set out in the Transportation Services Agreement (TSA). This includes capped and uncapped costs. Ian Anderson has previously stated that the ratio of capped and uncapped costs is 75% capped and 25% uncapped. Please confirm that this ratio of 75% capped and 25% uncapped costs is accurate. If not accurate please provide the correct ratio. If only 25% of cost overruns are uncapped, how will Trans Mountain recover the cost overruns for capped cost. How does the capped cost recovery impact the viability of TMX?

A. *The tolls shippers pay will be adjusted based on the final cost of the Project. These tolls will be filed with the CER shortly before the commencement of service on the expanded pipeline system. The tolling principles agreed to by Trans Mountain, its shippers and approved by the CER in the Transportation Service Agreement (TSA), will allow for the recovery of the cost of construction. The capped/uncapped determination will depend on the final costs of the components of the Project. Current expectations are that the 75/25 approximate split for the capped/uncapped components remains a reasonable estimate until such time as the final costs are known. TMX remains*

*commercially viable, and the rate of return expected to be earned on the expansion is forecast to be in-line with similar projects in Canada.*

7. How do the delays and cost overruns set out above impact the net present value of TMX?
  - A. *In isolation, cost increases and/or delays will lower the life cycle rate of return of the Project. Management expects that the Project will earn a rate of return in-line with returns of comparable projects in Canada.*
  
8. CDEV's Q2 report states: "On January 1, 2021, the construction credit facility limit was increased to \$6.1 billion through to June 30, 2021. Effective April 1, 2021 the limit was increased to \$9.14 billion, and the maturity date was extended to August 29, 2025." What is the current construction credit facility limit and maturity date? How much of the construction credit facility has been used by Trans Mountain to date? Are there future plans to increase the construction credit facility or maturity dates?
  - A. *Trans Mountain's current Funding facility (debt and equity) is \$8.7 billion. An incremental \$500 million becomes available under the Funding facility on December 31, 2021. The credit facility component of the Funding facility has a current limit of \$4.785 billion with \$4.26 billion drawn at September 30, 2021. The 2022 funding and financing plans for Trans Mountain are under normal course review to increase limits for 2022 expenditure plans. The maturity date of the facility remains August 29, 2025. At this time there are no plans to extend the maturity date.*
  
9. Does Trans Mountain support Canada's Net-Zero 2050 goals? How is TMX consistent with Net-Zero 2050?
  - A. *As stated in Trans Mountain's 2020 ESG report, in support of the Government of Canada's targets to achieve net zero by 2050, we will set targets to reduce and/ or offset scope 1 and scope 2 emissions. We will develop and communicate our plan to achieve this goal in the future.*
  
10. How does the International Energy Agency's World Energy Outlook 2021 impact Trans Mountain's forecast for demand beyond the current shippers contracts?

A. *The contracted shippers for the expanded pipeline system include a mix of producers and refiners connected to our pipeline. They support the Project and have collectively committed up to 80 per cent of the available capacity under long-term take-or-pay transportation contracts. These contracts are binding and take effect when the Project commences commercial service. The IEA has a range of forecast outlooks with varying levels of crude oil demand globally. Canada has an important role to play in meeting global energy needs, including oil-based energy demand, for decades to come.*

11. This year, CDEV's Notice of Annual Public Meeting was dated October 2, 2021 but was not posted until October 7, 2021, with the deadline for submitting questions of October 8, 2021. In 2020, the notice was posted on October 16, 2020 with a deadline of November 3, 2020. In 2019, the notice was posted on November 2, 2019 with a deadline of December 4, 2019. Why has CDEV shortened the notice period from 1 month to 5 days when the annual meeting is the only opportunity for the Canadian public to ask questions of Trans Mountain, when Trans Mountain has been criticized for a lack of transparency and accountability and a culture of secrecy? Please state the actual date that the notice was posted on the CDEV website and list any other steps taken to notify the public of the date and timelines for the meeting.

A. *The Notice period was not shortened. Section 113(1)(3) of the Financial Administration Act (Canada) requires that a notice be publicly posted in both English and French at least 30 days prior to the AGM. This requirement was met.*

*Additionally, the AGM is not the only opportunity for Canadians to ask questions of CDEV or TMC. CDEV and TMC respond to written questions from the public on a year-round basis.*

*As required, CDEV published a Notice of Meeting in both official languages more than 30 days before November 17, 2021. The English notice appeared in the National Post on Saturday, October 2, 2021. The French notice appeared in La Presse on the same day. For your convenience, copies of both notices are included with this reply. CDEV also posted a notice to its website. To reiterate: CDEV and TMC answer written questions from Canadians on a year-round basis.*