



MEG Energy Corp.

Christina Lake Industrial System Designation Amendment

September 12, 2013

The Alberta Utilities Commission

Decision 2013-347: MEG Energy Corp.
Christina Lake Industrial System Designation Amendment
Application No. 1609563
Proceeding ID No. 2589

September 12, 2013

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1 Introduction and background

1. On December 15, 2011, the Alberta Utilities Commission (AUC or the Commission) issued Decision [2011-496](#)¹ and Industrial System Designation Order No. [U2011-464](#),² designating the Christina Lake regional project industrial complex as an industrial system pursuant to Section 4 of the *Hydro and Electric Energy Act*, and exempt from the operation of the *Electric Utilities Act* for the electric energy produced from and consumed by the proposed industrial system, pursuant to Section 117 of the *Electric Utilities Act*.

2. MEG Energy Corp. (MEG) filed an application with the AUC seeking an amendment to the industrial system designation by adding a new power plant, and new and altered transmission and distribution facilities to its industrial system designation. This application was registered as Application No. 1609563 on May 3, 2013.

3. The industrial system designation encompasses facilities at the Christina Lake regional project industrial complex. MEG stated that it is currently undertaking further expansion of the Christina Lake regional project industrial complex via its Phase 3 expansion. This would expand the current development area and would use steam-assisted gravity drainage bitumen recovery technology. These facilities would be located in Township 76, Ranges 4 and 5; Township 77, Ranges 4, 5 and 6; and Township 78, Ranges 5 and 6, west of the Fourth Meridian, in the Conklin area south of Fort McMurray. The Phase 3 expansion was approved by Alberta Environment and Sustainable Resource Development and the Energy Resources Conservation Board in January 2012. The Phase 3 expansion has been divided into four processing trains to be built in a phased approach. MEG has stated that this AUC application is for the Phase 3A component.

4. In accordance with sections 4 and 25(1) of the *Hydro and Electric Energy Act*, MEG filed an application with the AUC on May 3, 2013, requesting approval to amend its Christina Lake industrial system designation to include the following electrical facilities:

- an additional 85-megawatt power plant, designated as the Phase 3A power plant and as approved in AUC Decision [2013-267](#)³
- a new Tamarack 173S substation

¹ Decision 2011-496: MEG Energy Corp. – Amend Christina Lake Industrial System Designation, Application No. 1607774, Proceeding ID No. 1505, December 15, 2011.

² Industrial System Designation Order No. U2011-464, Application No. 1607774, Proceeding ID No. 1505, December 15, 2011.

³ Decision 2013-267: MEG Energy Corp. – 85-MW Power Plant – Christina Lake Regional Project, Application No. 1609602, Proceeding ID No. 2613, July 16, 2013.

- alterations to existing Conklin 762S substation
- a new 260-kilovolt (kV) transmission line connecting Tamarack 173S substation and Conklin 762S substation
- new 25-kV distribution systems sourced from Tamarack 173S substation to deliver electricity to the Phase 3A power plant, production pads, source water wells and pumping facilities

5. MEG has stated that all of the electrical facilities it is requesting to add to the industrial system designation would be within the existing oilsands lease and surface rights agreement. MEG stated that it would file applications for the Tamarack 173S substation, the alteration of the existing Conklin 762S substation, the 260-kV transmission line and the connection of the Phase 3A power plant with the AUC at a later date.

6. MEG stated that there would be no material changes made to the overall industrial processes since the project's previous industrial system designation approval. The previously approved phases were designed to use the same technology as Phase 3, which will use steam-assisted gravity drainage in-situ technology to recover bitumen from the McMurray Formation. MEG stated that the addition of Phase 3 would increase the bitumen production by 150,000 barrels per day for a total combined bitumen production of 210,000 barrels per day on the site.

7. MEG stated that the new cogeneration unit within the industrial system designation would provide additional voltage support to the transmission system in the region. It further stated that the generator would stabilize the regional voltage through the dynamic reactive supply under normal system conditions and contingency situations.

8. MEG provided an economic comparison that outlined that the Phase 3A expansion cogeneration unit would save \$21.53/megawatt hour based on 49.2 megawatts of load when compared to using a natural gas boiler and electricity from the grid. MEG stated that this would result in \$25,421 in daily savings.

9. MEG has notified interested participants for the project and has not received any notice of concern from stakeholders.

10. The Commission issued a notice of application on August 2, 2013, and sent it to stakeholders and published it on the AUC website. No objections or submissions were received by the Commission.

2 Findings

11. The Commission finds that the applicant has demonstrated that the on-site generation is the most economic and efficient source of power for the industrial system, that the efficiency of the interconnected electric system is improved, that there is no duplication of the interconnected electric system, and that a significant investment is being undertaken. MEG's participant involvement program has been conducted, and there are no outstanding public or industry objections or concerns.

12. The Commission expects that MEG will file for approval, pursuant to sections 14, 15 and 18 of the *Hydro and Electric Energy Act*, for the Tamarack 173S substation, the alteration of the existing Conklin 762S substation, the 260-kV transmission line and the connection of the Phase 3A power plant with the AUC at a later date and will assess those applications at that time. The Commission's findings with respect to these facilities have only been made within the context of the addition of these facilities to the industrial system designation.

13. The Commission finds that the application meets the requirements stipulated in AUC Rule 007: *Applications for Power Plants, Substations, Transmission Lines and Industrial System Designations*.

14. Based on the foregoing, the Commission considers the project to be in the public interest in accordance with Section 17 of the *Alberta Utilities Commission Act*.

3 Decision

15. Pursuant to Section 4 of the *Hydro and Electric Energy Act* and sections 2(1)(d) and 117 of the *Electric Utilities Act*, the Commission approves the application and grants to MEG the approval set out in Appendix 1– Industrial System Designation – Order No. U2013-419 – September 12, 2013 (Appendix 1 will be distributed separately).

Dated on September 12, 2013.

The Alberta Utilities Commission

(original signed by)

Tudor Beattie, QC
Commission Member