



Suncor Energy Operating Inc.

Fort Hills Industrial System Designation Amendment

September 7, 2016

Alberta Utilities Commission

Decision 21718-D01-2016

Suncor Energy Operating Inc.

Fort Hills Industrial System Designation Amendment

Proceeding 21718

Applications 21718-A001 to 21718-A014

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1 Decision summary

1. In this decision, the Alberta Utilities Commission must decide whether to approve an application from Suncor Energy Operating Inc. (SEOI) to amend the Fort Hills industrial system designation (ISD). SEOI proposed to add two new third party facilities as well as electrical facilities and equipment of 25-kilovolts (kV) and higher that were not explicitly listed in its existing ISD order. SEOI also sought an exemption (the exemption) from permitting requirements set out in sections 14 and 15 of the *Hydro and Electric Energy Act* respecting any existing and future electrical facilities, up to 72 kV within the Fort Hills oilsands project industrial system.¹

2. After consideration of the record of the proceeding, and for the reasons outlined in this decision, the Commission approves the ISD amendment applications to add the third party facilities within the Fort Hills oilsands project industrial system. The Commission also grants the above-mentioned exemption. However, SEOI must notify the Commission of any changes, modifications and additions to existing electrical facilities within the industrial system by way of post-disposition updates in this proceeding. This will ensure an up-to-date inventory of the facilities within the industrial system. Notwithstanding the exemption, should the Commission consider that permits and licences for such electrical facilities are necessary, it will direct SEOI to apply for permits and licences for the electrical facilities.

2 Introduction and background

3. On November 15, 2013, the Commission issued Decision 2013-409² and Industrial System Designation Order U2013-577,³ amending the ISD, pursuant to Section 4 of the *Hydro and Electric Energy Act*. SEOI is the operator of the industrial system and Fort Hills Energy Corporation is the general partner of the owner of the industrial system, Fort Hills Energy L.P.

4. The Fort Hills oilsands project industrial system encompasses all electric facilities at the Fort Hills Industrial Complex. These facilities are located within the boundaries of Townships 96 and 97, Ranges 10 and 11, west of the Fourth Meridian, approximately 90 kilometres north of Fort McMurray.

¹ Section 1(1)(g) of the *Hydro and Electric Energy Act*, defines industrial system as meaning the whole or any part of an electric system primarily intended to serve one or more industrial operations of which the system forms a part and designated by the Commission as an industrial system.

² Decision 2013-409: Fort Hills Energy Corporation and Suncor Energy Operating Inc. – Fort Hills Industrial System Designation Amendment, Proceeding 2440, Applications 1609268, 1609273 and 1609644, November 15, 2013.

³ Industrial System Designation Order U2013-577, Proceeding 2440, Application 1609268, November 15, 2013.

5. SEOI filed applications with the Commission, on behalf of Fort Hills Energy Corporation, seeking an amendment to the ISD by adding two new third party facilities to the Fort Hills oilsands project industrial system. SEOI also applied to update Industrial System Designation Order U2013-577 to explicitly list electric facilities 72 kV or less in the ISD. Lastly, SEOI requested an exemption from the licencing and permitting requirements for any existing or future electrical facilities, rated at 72 kV and lower within the industrial system. Alternatively, SEOI requested confirmation that permitting and licencing requirements for electrical facilities within the Fort Hills oilsands project industrial system would only be required if directed by the Commission. These applications were registered as applications 21718-A001 to 21718-A014 on June 14, 2016.

6. SEOI stated it conducted an extensive public consultation and notification process during the 2013 application and that there are no residences or dwellings within two kilometres of the power plant nor within 800 metres of any transmission lines or substations within the Fort Hills oilsands project industrial system. SEOI also noted that the previous notice of application did not result in any objections. SEOI added that since the proposed amendments do not materially change the industrial system and the minor additions would occur within the Fort Hills oilsands project industrial system, no parties would be affected.

3 Discussion

3.1 Third party facilities

7. SEOI applied to the Commission to add two new third party facilities to the ISD. The facilities are the Northern Courier Pipeline Limited Partnership (NCPLP) tank terminal and pipeline infrastructure, and the NOVA Gas Transmission Ltd. (NGTL) natural gas metering stations.

8. NCPLP's infrastructure includes a field service building, tank terminal, associated pumps, meters and a pipeline system. The facilities are located within the boundaries of the Fort Hills oilsands project industrial system. The facilities store and transport bitumen product manufactured from the Fort Hills project and are powered by SEOI's existing 13.8-kV transmission lines.

9. NGTL's infrastructure consists of two gas metering stations that are located within the Fort Hills oilsands project industrial system. The stations will be used to meter natural gas flowing to the Fort Hills oilsands project and will be supplied with electricity from NCPLP's facilities via a single 600-volt cable.

10. SEOI submitted that the NCPLP and NGTL facilities are vital to the Fort Hills oilsands project. These facilities are highly integrated components of the industrial operation, and are used exclusively by the Fort Hills oilsands project.

11. SEOI argued that while Subsection 4(3)(c) of the *Hydro and Electric Energy Act* requires that there be common ownership of all components of the industrial operation, Subsection 4(4) of the *Hydro and Electric Energy Act* allows for consideration of third party facilities that are components of an integrated industrial process. Subsection 4(4) states:

4(4) Where the Commission is not satisfied that subsection (3)(c) or (d) has been met, the Commission may make a designation under subsection (1) if the Commission is satisfied that all of the separately owned components and all of the industrial operations are components of an integrated industrial process.

12. As part of its public consultation process, SEOI informed ATCO Electric Ltd., the owner of the electric distribution system in the service area, wherein the Fort Hills oilsands project is located, of its intent to apply for an amendment to the ISD to include the third party facilities into the industrial system. ATCO Electric Ltd. provided a letter of non-objection to the applications and confirmed that its previous approval, given under Section 101(2)(a) of the *Electric Utilities Act*, remains valid and in good standing.

13. SEOI submitted that both third party facilities are components of an integrated process and their electric equipment should be included in the Fort Hills oilsands project industrial system.

3.2 Updating the list of electric facilities in the ISD

14. SEOI sought to update the list of electric facilities in ISD Order U2013-577. SEOI observed that in previous ISD orders, some contained specific lists of all facilities while others only listed facilities rated at 72 kV and greater, or grouped lower rated facilities generically. SEOI requested that ISD Order U2013-577 be updated to list all major electric facilities, rated at 25 kV and above within the Fort Hills oilsands project industrial system.

15. SEOI also requested the names of the facilities be updated in ISD Order U2013-577 and updated permits and licences be issued to reflect their current naming conventions.

16. On August 16, 2016, SEOI submitted the corrected locations of the substations and routing of the transmission lines within the ISD area.

3.3 Exemption of electric facilities rated at 72 kV or less within the Fort Hills oilsands project industrial system

17. SEOI requested an exemption from the permitting requirements set out in sections 14 and 15 of the *Hydro and Electric Energy Act* respecting any existing and future electrical facilities, of 72 kV or less within the Fort Hills oilsands project industrial system.

18. SEOI submitted that pursuant to Section 16(1)(b) of the *Hydro and Electric Energy Act*, owners of an ISD are exempt from the requirement to obtain permits and licences for electric facilities within an ISD and where the electric energy is used solely for the industrial system, unless the Commission directs otherwise. Section 16(1) states:

16(1) Unless the Commission otherwise directs, sections 14 and 15 do not apply

- (a) to a person transmitting or proposing to transmit electric energy over the person's own land solely for the person's own use by means of a line that does not cross a public highway, or

- (b) to the owner of an industrial system transmitting or proposing to transmit electric energy
 - (i) over land of which the owner of the industrial system is the owner or tenant, or
 - (ii) across a public highway dividing land that is owned or leased by the owner of the industrial system

for use solely by that industrial system.

19. SEOI also observed that Section 16(2) of the *Hydro and Electric Energy Act* and Section 1.4.4 of Rule 007: *Applications for Power Plants, Substations, Transmission Lines, Industrial System Designations and Hydro Developments* direct ISD owners to notify the Commission to determine whether a permit and licence is required. Section 16(2) states:

16(2) Notwithstanding subsection (1), a person transmitting or proposing to transmit electric energy solely for the person's own use shall, where required by regulation to do so, immediately notify the Commission of the use or proposed use and provide any details of the transmission and use that the Commission requires.

20. Section 1.4.4 of Rule 007 states:

If an applicant plans to transmit electric energy over the applicant's own land and solely for the applicant's own use or within an industrial system that has been designated by Commission approval, the applicant must contact the Commission and explain the nature of the proposal. The Commission determines whether the applicant must file an application for a permit and licence or whether the facilities can be exempted.

If an applicant plans to distribute electric energy over the applicant's own land and solely for the applicant's own use, and applies to the Commission for exemption from Part 3 of the *Hydro and Electric Energy Act*, the applicant must, prior to filing the application, contact the electric distribution utility in whose service area the applicant is proposing to distribute electric energy and explain the nature of the proposal.

If the requested exemption relates to a proposed or anticipated industrial system designation (ISD), the distribution facilities constructed pursuant to the exemption may be subject to transfer to the distribution facility owner (DFO) at a later date, if the ISD is not perfected in a reasonable period of time.

21. SEOI submitted that a blanket exemption would obviate the need of having to apply to the Commission for every modification or addition of electrical facilities, of 72 kV and less, which are intended to only serve the Fort Hills oilsands project industrial system. SEOI argued that these facilities are internal to the Fort Hills oilsands project industrial system, and would not impact any other person and above all would not have any material impact on the reliability of the Alberta Interconnected Electric System.

22. In the alternative, SEOI requested confirmation that permitting and licencing requirements for electrical facilities of the industrial system are only required if directed by the Commission.

4 Findings

23. The Commission has reviewed the applications and has determined that the technical aspects of the industrial system designation have been met. The Commission finds that the applicant has demonstrated that the proposed amendments to the ISD are minor in nature, occur entirely within the Fort Hills oilsands project area, and do not result in material changes to the Fort Hills oilsands project industrial system.

24. The Commission finds that SEOI's participant involvement program was adequate given the scope of the amendments, and that no material changes would result from the amendments. Due to the minor nature of the application, a notice of application was not issued and, therefore, a hearing was not required as the Commission considered that its decision or order would not directly and adversely affect the rights of a person pursuant to Section 9 of the *Alberta Utilities Commission Act*.

25. With respect to sections 4(3) and 4(4) of the *Hydro and Electric Energy Act*, the Commission finds that SEOI has demonstrated that both the NCPLP and NGTL facilities are vital to the Fort Hills oilsands project industrial system. These facilities are highly integrated components of the industrial operation and are exclusively used by the Fort Hills oilsands project industrial system. The Commission also finds that the applicant has demonstrated that providing electric service to third party facilities is an efficient source of power for these facilities and that there is no duplication of the interconnected electric system. The Commission notes that ATCO Electric Ltd. has written a letter of non-objection and that it confirmed that its approval, given under Section 101 of the *Electric Utilities Act*, remains valid and in good standing. The Commission approves the amendment to the ISD to include these third party facilities.

26. The Commission denies SEOI's request for a blanket exemption from permitting and licencing of all existing and future electrical facilities, rated at or less than 72 kV because there would not be a record of the electric facilities within the Fort Hills oilsands project industrial system and that those facilities were to serve the industrial system. However, the Commission grants the exemption of existing electrical facilities of 72 kV and less that only serve the Fort Hills oilsands industrial project because these facilities will not impact other rate payers or persons, will not have any material impact on the reliability of the Alberta Interconnected Electric System, will not likely have any material impacts on the environment, and will increase regulatory efficiency. Therefore, the Commission confirms that within the ISD area, permits and licences for electrical facilities, up to and including 72 kV, will only be required if directed by the Commission. The Commission confirms that existing electrical facilities, rated up to and including 72 kV, are exempt from the permitting and licencing requirements, pursuant to sections 14 and 15 of the *Hydro and Electric Energy Act*. However, SEOI is required to notify the Commission of changes to, modifications of, and additions to existing electrical facilities rated up to and including 72 kV by way of post-disposition updates in this proceeding. Notwithstanding the exemption, should the Commission consider that permits and licences for such electrical facilities are necessary, it will direct SEOI to apply for permits and licences for the electrical facilities.

27. With respect to SEOI's request that the ISD be amended to specifically list all electrical facilities rated at 25 kV and greater, the Commission denies this request because listing minor components may lead to frequent amendments to the ISD to keep the list of facilities up to date and decrease regulatory efficiency. The Commission will list the electrical facilities rated greater

than 72 kV and rely on the record of the proceeding and SEOI's post-disposition updates to maintain an accurate and up-to-date record of the electric facilities within the ISD.

28. The Commission approves the amendments to the ISD and associated permits and licences to reflect the revised naming convention of the substations and transmission lines of the Fort Hills oilsands project industrial system.

29. Based on the foregoing, the Commission considers that approval of the applications is in the public interest, in accordance with Section 17 of the *Alberta Utilities Commission Act*.

5 Decision

30. 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 applications and grants to SEOI the approval set out in Appendix 1 – Industrial System Designation Order 21718-D02-2016 – September 7, 2016 (Appendix 1 will be distributed separately).

31. Pursuant to sections 14, 15, and 19 of the *Hydro and Electric Energy Act*, the Commission approves the applications and grants SEOI the approval set out in Appendix 2 – Substation Permit and Licence 21718-D03-2016 – September 7, 2016 (Appendix 2 will be distributed separately).

32. Pursuant to sections 14, 15, and 19 of the *Hydro and Electric Energy Act*, the Commission approves the applications and grants SEOI the approval set out in Appendix 3 – Substation Permit and Licence 21718-D04-2016 – September 7, 2016 (Appendix 3 will be distributed separately).

33. Pursuant to sections 14, 15, and 19 of the *Hydro and Electric Energy Act*, the Commission approves the applications and grants SEOI the approval set out in Appendix 4 – Substation Permit and Licence 21718-D05-2016 – September 7, 2016 (Appendix 4 will be distributed separately).

34. Pursuant to sections 14, 15, and 19 of the *Hydro and Electric Energy Act*, the Commission approves the applications and grants SEOI the approval set out in Appendix 5 – Substation Permit and Licence 21718-D06-2016 – September 7, 2016 (Appendix 5 will be distributed separately).

35. Pursuant to sections 14, 15, and 19 of the *Hydro and Electric Energy Act*, the Commission approves the applications and grants SEOI the approval set out in Appendix 6 – Substation Permit and Licence 21718-D07-2016 – September 7, 2016 (Appendix 6 will be distributed separately).

36. Pursuant to sections 14, 15, and 19 of the *Hydro and Electric Energy Act*, the Commission approves the applications and grants SEOI the approval set out in Appendix 7 – Transmission Line Permit and Licence 21718-D08-2016 – September 7, 2016 (Appendix 7 will be distributed separately).

37. Pursuant to sections 14, 15, and 19 of the *Hydro and Electric Energy Act*, the Commission approves the applications and grants SEOI the approval set out in Appendix 8 – Transmission Line Permit and Licence 21718-D09-2016 – September 7, 2016 (Appendix 8 will be distributed separately).
38. Pursuant to sections 14, 15, and 19 of the *Hydro and Electric Energy Act*, the Commission approves the applications and grants SEOI the approval set out in Appendix 9 – Transmission Line Permit and Licence 21718-D10-2016 – September 7, 2016 (Appendix 9 will be distributed separately).
39. Pursuant to sections 14, 15, and 19 of the *Hydro and Electric Energy Act*, the Commission approves the applications and grants SEOI the approval set out in Appendix 10 – Transmission Line Permit and Licence 21718-D11-2016 – September 7, 2016 (Appendix 10 will be distributed separately).
40. Pursuant to sections 14, 15, and 19 of the *Hydro and Electric Energy Act*, the Commission approves the applications and grants SEOI the approval set out in Appendix 11 – Transmission Line Permit and Licence 21718-D12-2016 – September 7, 2016 (Appendix 11 will be distributed separately).
41. Pursuant to sections 14, 15, and 19 of the *Hydro and Electric Energy Act*, the Commission approves the applications and grants SEOI the approval set out in Appendix 12 – Transmission Line Permit and Licence 21718-D13-2016 – September 7, 2016 (Appendix 12 will be distributed separately).
42. Pursuant to sections 14, 15, and 19 of the *Hydro and Electric Energy Act*, the Commission approves the applications and grants SEOI the approval set out in Appendix 13 – Transmission Line Licence Permit and 21718-D14-2016 – September 7, 2016 (Appendix 13 will be distributed separately).
43. Pursuant to sections 14, 15, and 19 of the *Hydro and Electric Energy Act*, the Commission approves the applications and grants SEOI the approval set out in Appendix 14 – Transmission Line Permit and Licence 21718-D15-2016 – September 7, 2016 (Appendix 14 will be distributed separately).

Dated on September 7, 2016.

Alberta Utilities Commission

(original signed by)

Willie Grieve, QC
Chair