

## **ALBERTA ENERGY AND UTILITIES BOARD**

---

Calgary Alberta

### **WILD ROSE PIPE LINE INC. APPLICATION TO CONSTRUCT AND OPERATE THE ATHABASCA PIPELINE PROJECT FROM FORT McMURRAY TO HARDISTY**

**Addendum to Decision 98-4  
Application No. 1007088**

## **1 INTRODUCTION**

### **1.1 Application and Background**

Wild Rose Pipe Line Inc. (WRPL) applied to the Alberta Energy and Utilities Board (the Board), pursuant to Part 4 of the *Pipeline Act*, for a permit to construct and operate a 550 kilometre, 762 millimetre (30") outside diameter pipeline to transport high vapour pressure products (HVP) and crude oil. The pipeline, known as the Athabasca Pipeline Project (the Project), would commence at a pump station, consisting of two 1492 kW units, to be located in Suncor Inc.'s (Suncor) oil sands facility in Fort McMurray at Legal Subdivision 10, Section 11, Township 92, Range 10, West of the 4th Meridian, and would connect to an existing meter station in the Hardisty area located at Lsd 15-19-42-9 W4M. Initially, WRPL intended to ship only crude oil in the proposed pipeline.

Suncor filed the initial application for the Project in April 1997. Following successful negotiations between Suncor and IPL Energy Inc. (IPL) to combine their respective pipeline projects to provide transportation service from Fort McMurray to Hardisty, WRPL, a wholly-owned subsidiary of IPL, assumed responsibility for the application (the Application). WRPL filed amendments to reflect changes to the size, routing, and design of the Project arising from the arrangement between Suncor and IPL. WRPL further amended the applied-for routing in the area of Gregoire Lake and through oil sand leases operated by Imperial Oil Limited, south of the Cold Lake Air Weapons Range (the Range). The Project would be owned and constructed by WRPL and operated and maintained by Suncor.

The attached Figure 1 illustrates the location of the Project, including routing amendments, and shows the relationship of two other pipeline projects also proposed for the north-east portion of the province, the Alberta Energy Company Ltd. Lakeland Pipeline Project and the ThickSilver Pipeline Project sponsored by Imperial Oil Resources Limited and Amoco Petroleum Company Ltd.

### **1.2 Intervenors**

In response to a public notice issued by the Board, several intervenors registered their objection to WRPL's application. Accordingly, the Board directed, pursuant to Section 29 of the Energy Resources Conservation Act, that a public hearing be held to review the Application.

Subsequently, following discussions with WRPL, certain intervenors (Department of National Defence (DND), Imperial Oil Resources Ltd., and Mr. Rick Young) withdrew their objections to the Application. Those intervenors who appeared at the hearing are listed in Section 1.3. Amoco was the only intervenor to enter evidence at the hearing.

### 1.3 Hearing

The public hearing of the Application was held in Calgary, Alberta on 16, 17, and 18 March 1998, before Board Members C. Bélanger, B. T. McManus, Q.C., and G. J. Miller. Having considered all of the evidence and argument provided at the hearing, the Board issued Decision 98-4 (attached), approving Application No. 1007088. This Addendum provides the reasons for Decision 98-4. Those who appeared at the hearing and abbreviations used in this Addendum are listed in the following table:

#### **THOSE WHO APPEARED AT THE HEARING** -----

Principals and Representatives (Abbreviations Used in Report)	Witnesses
Wild Rose Pipe Line Inc. (WRPL)	A. D. Meyer, P.Eng.
F. R. Foran, Q.C.	M. Shaw, P.Eng.
S. C. Lee	T. J. Partridge
	G. W. Bridgewater, P.Eng
	T. V. Anger
	R. D. Avery, P.Eng.
	K. W. Underhill
Alberta Energy Company Ltd. (AEC)	
L. G. Keough	
Imperial Oil Resources Limited and Amoco Petroleum Company Ltd. Proponents of the ThickSilver Project (the ThickSilver Proponents)	
H. R. Ward	
Amoco Canada Petroleum Company Ltd. (Amoco)	R. F. Sendall, P.Eng.
D. A. Holgate	W. J. McCaffrey, P.Eng.
Imperial Oil Limited (Imperial)*	
H. Huber	
D. Armstrong	

**THOSE WHO APPEARED AT THE HEARING (cont'd)**

---

Principals and Representatives  
(Abbreviations Used in Report)

---

Witnesses

---

PanCanadian Petroleum Limited (PanCanadian)\*

P. Kahler

P. McCunn-Miller

Gibson Petroleum Limited (Gibson) and  
ECHO Pipeline Company Limited (ECHO)

N. M. Gretener

Husky Oil Operations (Husky)

T. Kutryk

Alberta Energy and Utilities Board staff

M. Bruni, Board Counsel

P. V. Derbyshire

J.G. Bell, B.Sc.

B. Riley

K. Sadler, P. Eng.

\* Imperial and PanCanadian filed submissions but did not participate in the hearing.

## 2 ISSUES

In its review of pipeline applications the Board considers various matters which, amongst other things, include the following: social, economic, or environmental issues; public safety and risk; compliance with various technical standards and requirements concerning construction, operational and maintenance practices; and pipeline routing or landowner/occupant concerns. These matters must be satisfactorily addressed before the Board will consider approving an application. The Board must also consider the need for a pipeline, particularly in light of subsection 5(a) of the *Pipeline Act* which provides that the Board may examine any matter relating to the economic, orderly and efficient development in the public interest of pipeline facilities in Alberta@

Intervenors addressed the need for the Project, focusing on the size of the pipeline, shipper commitments, tolls and tariffs, potential for pipeline underutilization, pipeline design and operations, and crude oil supply and demand.

The Board notes that no social, environmental or safety issues were raised by intervenors. Nor were there landowner/occupant concerns before the Board. The Board also notes, with respect to environmental issues, that all required land conservation and reclamation approvals associated with the Application have been sought from Alberta Environmental Protection (AEP). The Board expects that WRPL will satisfy all of AEP's regulatory requirements and obtain all applicable environmental approvals from AEP prior to the commencement of construction.

The Board considers the issues in this proceeding to be:

- the need for the pipeline and associated surface facilities, and
- the routing of the proposed pipeline.

### **3 NEED FOR THE PIPELINE AND ASSOCIATED SURFACE FACILITIES**

#### **3.1 Views of WRPL**

WRPL indicated that its Project was underpinned by a transportation service agreement, committing Suncor to transport up to 170 000 bpd (27 030 m<sup>3</sup>/d) of crude oil on WRPL's pipeline for a minimum term of 30 years. The contractual agreement was based on an initial commitment of 60 000 bpd, ramped up to 80 000 bpd in 2001, up to 140 000 bpd in 2002, and 170 000 bpd in 2005.

WRPL stated that the Project was also required to provide transportation for existing and incremental Athabasca production, as well as for incremental Cold Lake production as shippers required. Since there were no crude oil pipeline transportation facilities available in the Athabasca region, WRPL's proposal of a 762 mm OD pipeline was sized to be responsive to the expectation of imminent future growth and to match the unique needs of shippers with differing resource development horizons within the corridor.

WRPL further stated that its project was designed to allow for the future potential to ship HVP which could be used to improve recovery from its in situ properties.

#### **3.2 Views of the Intervenors**

AEC objected to the Project on the basis of its underlying economics, and the need for a 762 mm OD pipe. Specifically, AEC questioned the appropriateness of the size of the pipeline, with a capacity of up to 570 000 bpd, given the commitment by Suncor for a guaranteed volume of only 170 000 bpd in 2005. AEC submitted that the Project was premature in terms of any alleged need or justification arising from production committed, other than that provided by the Suncor contract.

AEC also objected to the proposal to transport HVP through the pipeline, on the basis that WRPL did not demonstrate a need for such transportation.

At the time of the hearing, the ThickSilver proponents had an application before the Board for the construction and operation of a pipeline for the transportation of blended bitumen products to Hardisty from the Cold Lake facilities of Imperial and Amoco. The ThickSilver Proponents participated in the hearing to attain confirmation that WRPL did not consider ThickSilver to be a competing project. The ThickSilver Proponents did not object to approval of the Project, provided that:

- the Board noted, in its decision, the stated position of WRPL to the effect that it did not consider the ThickSilver project as a competing project;
- approval of the Project would not prejudice future consideration by the Board of other pipeline proposals; and
- the Project be re-routed along the west side of the range along the contemplated utility corridor.

The ThickSilver Proponents stated that they would object to the Project if the Board considered the Project to be competitive with any other project, since an approval in that circumstance would be prejudicial to all other producers and potential shippers within the area proposed to be serviced by the Project. The ThickSilver Proponents requested the Board to withhold a decision on the Project until the review of their application and any other applications currently before the Board for pipelines in the general vicinity of the Project.

The ThickSilver Proponents further stated that incremental deliveries to Hardisty might result in increased apportionment problems for crude oil exports from Alberta.

Amoco also questioned the need for the size of the pipeline given the commitment by only one shipper at the time of the hearing.

Gibson and Echo did not oppose construction of the Project but expressed concern regarding the size of the pipeline and questioned whether WRPL had demonstrated sufficient need to justify a 762 mm OD pipeline on the basis of economic and orderly development. Echo expressed concern with regard to the potential impact the Project might have in the Lindberg/Hardisty corridor and the potential for the corridor to be Aover piped@.

Husky neither supported nor opposed the Application on the basis of need.

### **3.3 Views of the Board**

Given the evidence submitted by the applicant with regard to immediate transportation requirements of Suncor, and its analysis of markets for heavy Canadian crude, along with the Board's knowledge of the potential future oil sands development in the Fort McMurray and Cold Lake regions, the Board is satisfied that there is sufficient need for the Project. The Board further notes that there may exist a need for WRPL to ship HVP products in the future and notes

that the Project has been designed to handle this product should the need arise. As for the Project's current surplus capacity, the Board believes that all costs and risks arising from it are the responsibility of WRPL. The Board also believes that in a market economy it is the responsibility of WRPL to market and price its services to be attractive to producers in the region.

The Board notes the request by the ThickSilver Proponents to withhold the Board's decision on the Project until the review of certain other applications currently before the Board are reviewed. The Board does not believe that such an approach would be fair to WRPL, given that the timing of the other applications is uncertain, as is the extent to which they involve pipelines in competition with the Project. To the extent some or all of the other applications are competitive, the Board has previously noted the beneficial aspects of competition and expressed the view that producers and shippers who pay transportation service costs should influence which facilities are built. A number of Board decisions have addressed this question; for example, the Board stated at page 6 of Decision 88-13:

*The Board believes it is not appropriate for it to intervene in normal business transactions unless issues are related to matters such as conservation or environmental protection or if it is found that facilities would be built despite the lack of need for such facilities.*

The Board continues to hold the view that, in the absence of compelling public, economic, social, or environmental issues, it should refrain from intervening in business transactions in the competitive marketplace.

Furthermore, the Board continues to believe that the construction of any approved pipelines is ultimately dependent on their commercial viability, which hinges in turn on the contractual arrangements which support them. The Board appreciates these arrangements, and the risks pipeline proponents are willing to assume, that will ultimately dictate which pipelines are built.

## **4 ROUTING OF THE PROPOSED PIPELINE**

### **4.1 Views of WRPL**

WRPL submitted that the proposed route was selected to maximize coverage of potential producing areas between Fort McMurray and Hardisty, as well as provide access to a variety of markets for crude oil and HVP products. Final route selection was influenced by the need to:

- maximize use of existing linear disturbances;
- minimize new clearing;
- bypass existing or proposed public facilities, identified wildlife or fisheries areas, existing or proposed recreation facilities, and existing or proposed industrial facilities; and

- minimize overall line length if all other factors were considered equal.

In October 1997, the base commander for the Range indicated that clearing outside the existing AEC/NOVA Gas Transmission Ltd. (AEC/NGTL) corridor, which traverses the Range, would not be permitted. Following receipt of this advice, WRPL approached a number of provincial and federal government bodies to pursue access across the Range. In a letter to the Alberta Department of Energy (DOE), dated 15 December 1997, DND stated that two additional pipelines would be allowed to cross the Range along the existing AEC/NGTL corridor, with a maximum additional clearing of 15 m. If an additional 15 m was to be cleared, then WRPL would have to commit to reforestation of eight m.

WRPL had agreed to the routing recommendations of DND through the Range at the cost of foregoing access to the Suncor Burnt Lake facility on the east side of the Range. It was WRPL's position that the additional 15 metres provided by DND was for the Project and AEC's proposed Lakeland pipeline. The discussion that resulted in the 15 December letter was focused on construction of pipelines from the Fort McMurray region to Hardisty, and did not address future industrial developments within or adjacent to the Range.

WRPL believed its access across the Range would not have any impact on developers within and adjacent to the Range and further, that its pipeline would not prevent any other developers from negotiating access to the Range.

WRPL had requested working space from AEC along its existing Right-of-Way (ROW) within the Range. No consent had been given at the time of the hearing. It was the view of WRPL that it is an industry practice for one pipeline company to grant temporary working space in its ROW to another pipeline company constructing an adjacent pipeline.

#### **4.2 Views of the Intervenors**

There were no objections to the pipeline route north or south of the Range at the start of the hearing. Imperial Oil Resources had objected to the original routing of the pipeline south of the Range through Townships 64, 65, and 66, Range 4, W4M, however, an alternative route was proposed by WRPL and accepted by Imperial prior to the start of the hearing. Imperial withdrew its objection to the Application on 13 March 1998, provided that selection of the alternative route did not cause any undue delay in having the ThickSilver application heard and considered by the Board.

AEC stated that it was willing to work with any proponent that wished, to cross the Range in its ROW. It indicated that it was amenable to approaching this issue in a manner which would provide the most efficient use of the existing and future ROW through the Range, including possible use of AEC's existing ROW and also result in the minimal intrusion on the military's interest and activities within the Range.

Amoco was opposed to the routing of the pipeline through the Range and submitted that the pipeline should be routed outside of the Range, to the west along a proposed utility corridor. A significant portion of Amoco's leases lay within or adjacent to the Range. These leases include Wolf Lake and Primrose in the south, Burnt Lake in the east, Ipiatik Lake and Kirby in the north (Figure 2). Current operations involves using the infrastructure at Wolf Lake to develop the resources. In order to further develop its leases, Amoco submitted that it would be required to build three additional pipelines from the existing Primrose leases in the south, north to the Ipiatik/Kirby resource base. The Amoco pipelines would be used for transportation of oil, recycled water, and gas. Amoco planned to use the existing AEC/NGTL corridor for construction of these pipelines, as this maximized use of existing infrastructure, and took advantage of economies of scale and the lowest capital and operating costs. Amoco submitted that it had spent \$60 million over the past four years implementing its development strategy for these leases.

Amoco's main concern with the Project was the potential for restricted access to its leases as a result of the Project crossing the Range, thereby adversely affecting Amoco's ability to develop those leases. Based on conversations with the base commander, Amoco believed that access across the Range would be limited to the Project and AEC's proposed Lakeland pipeline and that the military is no longer prepared to accept further linear developments through the Range. As a result, Amoco believed that it would be forced to service its operations from outside the Range. Amoco submitted that approval of the Project left it with two alternatives for development, both of which represented significantly increased costs. One alternative was to expand existing infrastructure at Wolf Lake and construct pipelines that traversed around the west side of the Range. The second alternative was to build stand-alone duplicative facilities at Kirby. The increased costs would have adverse effects on resource recovery as marginal barrels would be rendered uneconomic. As a result of infrastructure being located around the Range, access to the Ipiatik and Primrose North leases would not be possible. The ThickSilver Proponents supported Amoco's objection with regard to the pipeline route across the Range on the basis that such a route would potentially result in additional costs to Amoco, the Government of Alberta and, ultimately, to Canada.

### **4.3 Views of the Board**

The Board appreciates Amoco's concern with regard to access to its leases and facilities on and adjoining the Range. However, the Board notes that WRPL was able to negotiate the land required for its ROW along the existing AEC/NGTL corridor by working cooperatively with DND and other provincial and federal government authorities. The Board considers that this avenue is available to other parties.

In addition, the Board notes that DND recognized in its letter dated 15 December 1997 to the DOE that the federal government and the Province of Alberta have two important objectives to coordinate. For the Government of Canada, the objective is the long term retention of the Range as a strategic asset for DND. For Alberta, and also for the federal government, the objective is to realize the potential of the development and recovery of oil sands reserves in the Fort McMurray

region. Through discussion and negotiation, WRPL, AEC, and DND were able to achieve a compromise to allow all parties to fulfil their objectives. It is the Board's view that such multi-stakeholder discussions and negotiations should also allow parties to achieve their goals in the future.

The Board has no direct information from DND about its position regarding access to the Range by industry with leases on and adjoining the Range. Furthermore, Amoco did not provide evidence to support its assertion that construction of the Project would necessarily preclude future pipeline developments for producers in the Range region. Under the circumstances, the Board is not persuaded that re-routing the Project outside the Range is necessary. The Board strongly recommends that industry continue to work together with regard to developments on and adjacent to the Range, and to continue to work with DND so that development of Alberta's resources will not be compromised.

## **5 DECISION**

Having carefully considered all of the evidence, the Board approved the WRPL Application No. 1007088 and has issued the required approval as outlined in its earlier Decision 98-04.

Dated at Calgary, Alberta, on 31 August 1998.

### **ALBERTA ENERGY AND UTILITIES BOARD**

C. Bélanger\*  
Presiding Member

*<Original signed by>*

B. T. McManus, Q.C.  
Board Member

*<Original signed by>*

G. J. Miller  
Board Member

- Effective 31 July 1998, C. Bélanger ceased to participate in this Decision.

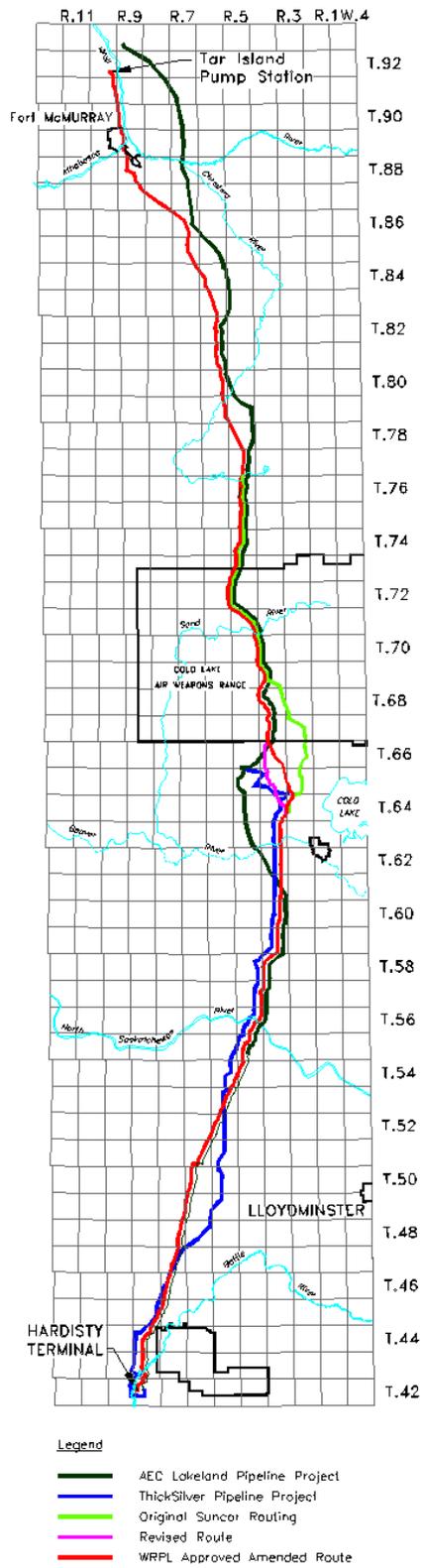
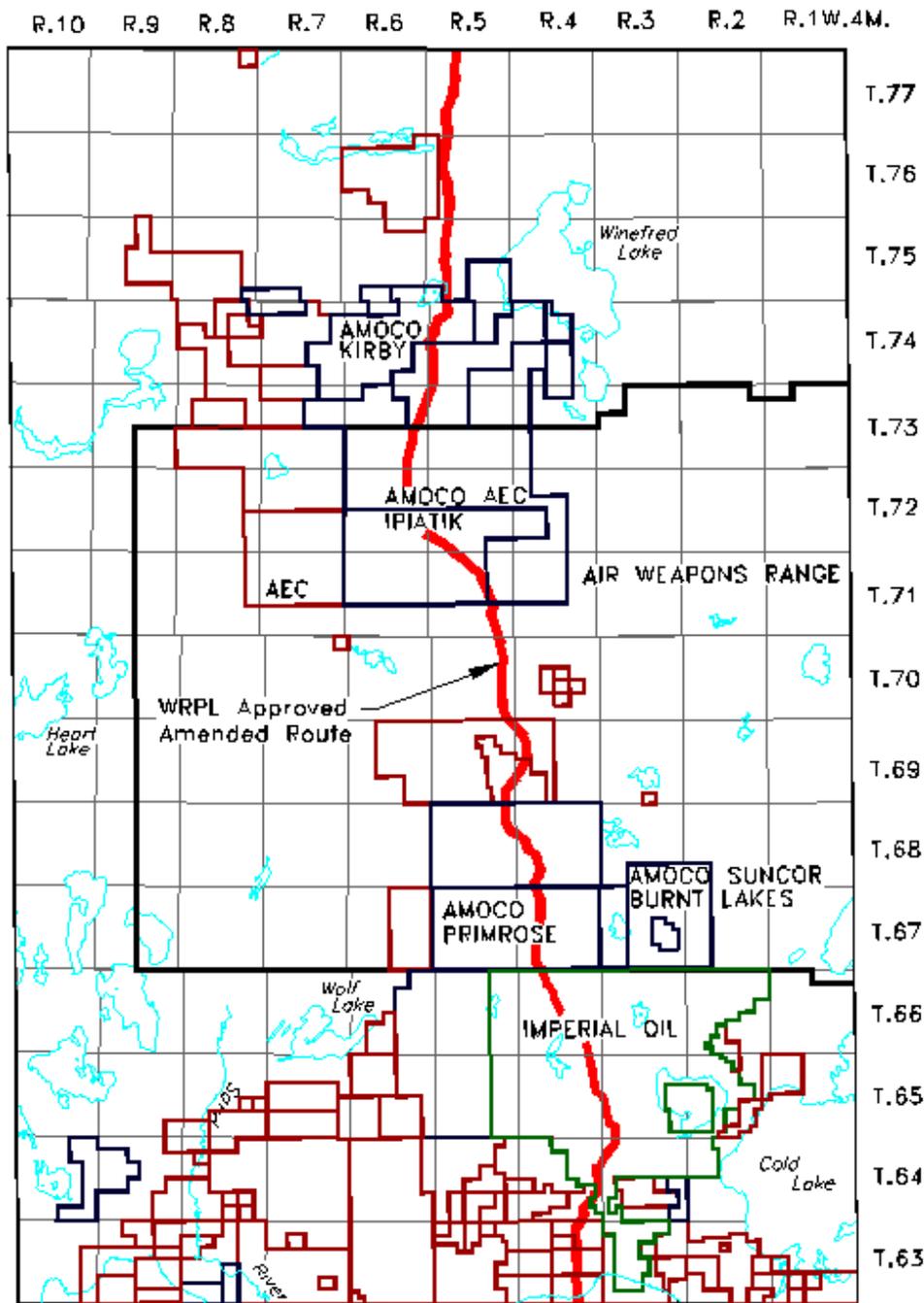


Figure 1  
**ATHABASCA PIPELINE PROJECT**  
 Application No. 1007088  
 Wild Rose Pipe Line Inc.

Decision 98-4



LEGEND

- Amoco Canada Oil Sands Land
- Imperial Oil Oil Sands Land
- Industry Oil Sands Land

**Figure 2**  
**COLD LAKE – KIRBY OIL SANDS AREA**  
 Application No. 1007088  
 Wild Rose Pipe Line Inc.

Decision 98-4

# **ALBERTA ENERGY AND UTILITIES BOARD**

---

**Calgary Alberta**

## **WILD ROSE PIPE LINE INC. APPLICATION TO CONSTRUCT AND OPERATE THE ATHABASCA PIPELINE PROJECT FROM FORT MCMURRAY TO HARDISTY**

---

**Decision 98-4  
Application No. 1007088**

### **1 APPLICATION AND BACKGROUND**

Wild Rose Pipe Line Inc. (WRPL) applied to the Alberta Energy and Utilities Board (the Board), pursuant to Part 4 of the Pipeline Act, for a permit to construct and operate a 550 kilometre, 762 millimetre outside diameter pipeline to transport high vapour pressure products and crude oil. The pipeline, known as the Athabasca Pipeline Project, would commence at a pump station, consisting of two 1492 kW units, to be located in Suncor Inc.'s (Suncor) oil sands facility in Fort McMurray at Legal Subdivision 10, Section 11, Township 92, Range 10, West of the 4th Meridian, and connect to an existing meter station in the Hardisty area located at Lsd 15-19-42-9 W4M. Initially, WRPL intends to ship only crude oil in the proposed pipeline.

Suncor filed the initial application for the Athabasca Pipeline Project. Following successful negotiations between Suncor and IPL Energy Inc. (IPL) to combine their respective pipeline projects to provide transportation service from Fort McMurray to Hardisty, WRPL, a wholly-owned subsidiary of IPL, assumed responsibility for the application and filed amendments to reflect changes to the size, routing, and design of the Athabasca Pipeline Project arising from the arrangement between Suncor and IPL. WRPL further amended the applied-for routing in the area of Gregoire Lake and through oil sand leases operated by Imperial Oil Limited, south of the Cold Lake Air Weapons Range.

The Athabasca Pipeline Project will be owned and constructed by WRPL and operated and maintained by Suncor.

### **2 HEARING**

The public hearing of the application was held in Calgary, Alberta on 16, 17, and 18 March 1998, before Board Members C. Bélanger, B. T. McManus, Q.C., and G. J. Miller. Those who appeared at the hearing and abbreviations used in this report are listed in the following table:

## **THOSE WHO APPEARED AT THE HEARING**

---

### **Principals and Representatives (Abbreviations Used in Report)**

---

### **Witnesses**

Wild Rose Pipe Line Inc. (WRPL)  
F. R. Foran, Q.C.  
S. C. Lee

A. D. Meyer, P.Eng.  
M. Shaw, P.Eng.  
T. J. Partridge  
G. W. Bridgewater, P.Eng  
T. V. Anger  
R. D. Avery, P.Eng.  
K. W. Underhill

Alberta Energy Company Ltd. (AEC)  
L. G. Keough

Imperial Oil Resources and Amoco Petroleum Company Ltd.  
Proponents of the ThickSilver Project (ThickSilver)  
H. R. Ward

Amoco Canada Petroleum Company Ltd. (Amoco)  
D. A. Holgate

R. F. Sendall, P.Eng.  
W. J. McCaffrey, P.Eng.

Imperial Oil Limited (Imperial)\*  
H. Huber  
D. Armstrong

PanCanadian Petroleum Limited (PanCanadian)\*  
P. Kahler  
P. McCunn-Miller

Gibson Petroleum Limited (Gibson) and  
ECHO Pipeline Company Limited (ECHO)  
N. M. Gretener

Husky Oil Operations (Husky)  
T. Kutryk

Alberta Energy and Utilities Board staff  
M. Bruni, Board Counsel  
P. V. Derbyshire  
J. Bell, B.Sc.  
B. Riley  
K. Sadler, P.Eng.

---

\*Imperial and PanCanadian appeared at the hearing but did not participate.

### 3 DECISION

The Board notes WRPL's submission regarding the negative impacts on Suncor should it not be in a position to provide transportation service to Suncor by the first quarter of 1999. To meet this schedule, WRPL requested an approval by the Board in sufficient time to enable it to proceed with site clearing in April 1998, to mitigate adverse effects on the nesting of migratory birds, and with construction in May. Under the circumstances, the Board is prepared to issue a decision with reasons to follow.

Having carefully considered all of the evidence, the Board has decided to approve Application No. 1007088 and will issue the required approval forthwith. A detailed final report giving the reasons for the Board's decision will be issued in due course.

Dated at Calgary, Alberta, on 17 April 1998

#### **ALBERTA ENERGY AND UTILITIES BOARD**

*<Original signed by>*

C. Bélanger  
Presiding Member

*<Original signed by>*

B. T. McManus, Q.C.  
Board Member

*<Original signed by>*

G. J. Miller  
Board Member