

Regulatory

Highlights **for**
1998

About this publication:

Welcome to the inaugural edition of *Regulatory Highlights for 1998*. This new publication informs you about what the EUB did in the past year, including important regulatory issues, trends, and initiatives.

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About the EUB

Who We Are

The Alberta Energy and Utilities Board (EUB) is a provincial, quasi-judicial agency that regulates Alberta's energy resource and utility sectors. We are led by a Chairman and eight Board Members, and have over 650 staff in ten locations across the province.

Although the EUB makes its decisions independently, it is part of the Alberta Ministry of Energy. Many people know us by our former names; the Energy Resources Conservation Board (ERCB) and the Public Utilities Board (PUB). These two boards merged in 1995 to create the EUB. In 1996, the Alberta Geological Survey (AGS) also joined the EUB. With the combination of its parent organizations, the EUB is the oldest regulatory agency in Alberta, dating back to 1915.

What We Do

The EUB ensures that the discovery, development, and delivery of Alberta's resources takes place in a manner that is fair, responsible, and in the public interest.

The EUB has four core functions:

- adjudication and regulation,
- applications,
- surveillance and enforcement, and
- information and knowledge.

How we are organized



Who We Serve

For the energy industry and utilities, the EUB provides

- a stable, consultative, and competent regulatory environment,
- complete and comprehensive requirements, consistently applied and enforced,
- streamlined application review processes,
- conflict resolution among industry players (e.g. hearings, inquiries, studies),
- resource conservation through efficient production requirements,
- a level playing field with industry accountability for meeting operational requirements,
- accessible and up-to-date information, and
- coordination with other government departments for project approvals.

The public can rely on the EUB for

- public safety and environmental protection related to energy facilities,
- response to public complaints,
- the right to be heard, especially directly-affected landowners/communities,
- monitoring of energy industry operations and public consultation,
- safe and efficient utility service at rates that are fair and reasonable,
- orderly development and conservation through efficient production and waste prevention, and
- publicly accessible information.

The EUB works closely with government departments and agencies at all levels by

- ensuring matters of mutual concern are addressed and coordinated to avoid duplication, and
- providing information and advice.

Interview with EUB Chairman, Neil McCrank

In July 1998, Neil McCrank, QC, was appointed Chairman of the Alberta Energy and Utilities Board. Mr. McCrank has almost 20 years of senior level experience with the Alberta government. Before joining the Board, he served for 9 years as Deputy Minister for the Alberta Department of Justice. Now, he talks candidly about the challenges the EUB is facing and his direction for the future of the organization.



“We must monitor our organization to ensure that we are not only good at what we do, but that what we do is important and meaningful to society—that we are adding value.”

Q: What do you see as the EUB's key strength?

NM: Its reputation as a credible and relevant regulatory organization is its greatest strength. The EUB has been successful because of our people, not because of any single piece of legislation. Our strong reputation stems directly from our staff who have, over the years, worked diligently to establish strong relations with the public, industry, and the government of Alberta. Indeed, the dedication and knowledge of our staff is our most important asset. Our staff are the history of the EUB; they are also its future. Maintaining and building upon our current employee base is my top priority.

“... nine Board Members and 650 staff working together as a team can solve almost any problem we face. It is close interaction and teamwork that have enabled the EUB to become a world-class regulatory body.”

Q: How will you keep good staff?

NM: The fact that the EUB has a highly-skilled and marketable staff has presented us with some challenges over the past couple of years. In this industry, technologically capable, dedicated, and mobile people are a valued commodity, and there is competition for them. While we have lost some very skilled staff to industry, we are working hard to recruit highly qualified replacements. I don't think staff attrition has hurt our technical edge, but we are working to ensure we don't compromise our expertise in any way. If we want to continue to build on our expert staff, we have to stay on top of staffing issues and trends in the business world.

Q: What are the most important challenges facing the EUB?

NM: The biggest challenge right now is the changing landscape of this industry and the business world in general. The downturn in the oil sector, the deregulation of our electric utilities, increased public interest in environmental issues, the general questioning of regulatory authority, and the problems of shrinking budgets and resources—these are just a few of the issues we are currently dealing with. The result is that our work is getting more fast-paced and complex every day.

Q: What do these trends mean for the EUB?

NM: As regulators, we want to be relevant and credible to our stakeholders and the public. This means we must be flexible and continuously revisit what we are doing and how we can improve. We must monitor our organization to ensure that we are not only good at what we do, but that what we do is important and meaningful to society—that we are adding value. This flexibility, which I have witnessed in many staff since I joined the EUB, will allow us to be more timely than in the past, make better use of our resources, and provide better services to our public.

I am very confident that the EUB can step up to these tasks, and that working towards these key goals will help us maintain—and strengthen—our reputation as a world-class regulatory body.

Q: Do you think the EUB can sustain its current level of hearing activity?

NM: The EUB has and will continue to conduct the number of hearings necessary to comply with our statutory obligations. If that means continuing with the same amount of hearings as last year, we will do that. However, we will be exploring ways of resolving conflicts other than the traditional hearing process. One alternative that has proven successful over the past couple of years is the negotiated settlement process for utilities. These proceedings are excellent because parties can negotiate agreements in a more satisfactory manner than at a costly and adversarial hearing situation, where one party—or even both—may lose.

“I am very confident that the EUB can step up to these tasks, and that working towards these key goals will help us maintain—and strengthen—our reputation as a world-class regulatory body.”

Q: How is the EUB responding to growing landowner concerns?

NM: Our field staff will take a more active role in relationships between landowners and industry. I believe that if we facilitate two-way communications at an early stage, we could better assist parties in resolving their differences before a hearing is needed. Once matters reach the point where there seems to be a dispute, we'd like to introduce mediation concepts. I believe the EUB has the credibility and the knowledge base to act as an excellent intermediary in resolving some of these concerns before they become full-blown disputes.

Q: You have told EUB staff that their relationship with Board Members is key to success. Why is this so important?

NM: The industries that the EUB regulates present our staff with technical and complex challenges on a daily basis. I don't think there is one individual in this organization who has all the answers to every issue. I believe that nine Board Members and 650 staff working together as a team can solve almost any problem we face.

It is close interaction and teamwork that have enabled the EUB to become a world-class regulatory body. These traits make us unique and I fully support this approach. ■

Board Members: Providing Regulatory Leadership

Arden Berg, P.Eng

Arden Berg was appointed Board Member in October 1998. He brings to the EUB more than 25 years of experience in Alberta's oil and gas industry, much of it at the senior management level in resource and business development, operations, and joint ventures.



Brian Bietz, Ph.D., P.Biol

Brian Bietz was re-appointed as Board Member in October 1998 after a year working in industry. Dr. Bietz, who served as a Board Member from 1989 to 1997, has over 15 years of professional experience in environmental, health, and safety issues.



Jim Dilay, P.Eng

Jim Dilay has been a Board Member since June 1995. During 28 years at the EUB, he has worked in many departments, including gas, pipeline, drilling and production, and field operations. Prior to his Board appointment, he was Executive Manager—Operations, responsible for efficient coordination of internal operations.



Tom McGee

Tom McGee joined the Board in October 1998. Prior to his appointment, he served the Town of Drayton Valley for 15 years, nine of those as Mayor. He also owned and operated an oilfield service company for 8 years in the 1980s.



Brad McManus, QC

Before Brad McManus was appointed Board Member in February 1995, he was a Member of the Public Utilities Board (PUB). He has been a Member of the Land Compensation Board since late 1991, and practiced corporate and commercial law in Calgary for 12 years before joining the PUB in 1991.



Gordon Miller

Prior to his Board appointment in 1993, Gordon Miller operated a diversified farm with his family near Vegreville, producing grain, dairy products, and beef. He has also enjoyed an extensive career in public and community service, providing leadership to the County of Minburn, the Agricultural Service Board, and the Alberta Association of Municipal Districts and Counties.



Frank Mink, P.Eng

Frank Mink has served as a Board Member since 1987, Vice Chairman during 1990/91, and as Co-Chairman from 1991 to 1994. He first joined the EUB in 1972, becoming Manager of the Economics Department from 1976 to 1987. Before joining the EUB, Mr. Mink spent a number of years in engineering, finance, and corporate planning positions in private industry.



Phil Prince, Ph.D.

Phil Prince has served as Board Member since 1987, as Vice Chairman during 1990/91, and as Co-Chairman from 1991 to 1994. His prior experience spans business, academia, research, and government. He also had his own consulting firm and authored books on energy issues. (In April 1999, Dr. Prince left the EUB to become President/CEO of the Canadian Energy Research Institute.)





Resolution within Reach: The EUB Responds to Landowner Concerns

Landowner concern about Alberta's oil and gas industry was a leading issue in 1998. High levels of industry activity, animal health studies, industrial sabotage in northwestern Alberta, drilling activity near urban areas, and the tragic shooting of an oilfield executive seemed to contribute to this emerging issue.

In response, the EUB continued to support many existing ways to resolve problems. Staff also started work on new efforts to ensure that concerned Albertans find reasonable solutions to their problems with the energy industry. Our role is to identify emerging problems and encourage or even require solutions. This essay outlines progress in several key areas in 1998.

"The EUB is looking at having senior company representatives with decision-making authority meet with affected landowners."

Public complaints continue to be a priority for the EUB

The EUB has eight field centres across Alberta with 90 staff, accounting for about 15 per cent of all Board staff. Their job is to ensure oil and gas facilities operate in compliance with regulatory requirements. Responding to public complaints is a top priority for our field staff. In 1997/98, they followed up on about 900 calls. The majority of complaints were about odour, followed by safety, flaring/smoke, noise, and spills in about equal numbers.

The EUB is committed to an effective, ongoing complaint response. As has always been the case, residents living near oil and gas facilities should contact the company first with operational concerns about facilities. If a company does not respond effectively, people should call their nearest EUB field centre via our 24-hour on-call service. Staff usually contact the company or do a site investigation, or a combination. The level of attention can vary from a single phone call to weeks of work dealing with a more serious problem. If a complaint is not under EUB jurisdiction, staff forward the concern to the appropriate agency.

New options to resolve landowner-industry disputes

At the end of 1998, the EUB began to explore renewed field staff involvement in the pre-application stage. (As of spring 1999, our field staff have begun to streamline work efforts in order to attend meetings between landowners and companies during the early phase of discussions for new oil and gas wells and facilities.)

The Board also began to look at other mediation tools to ensure landowner concerns are heard and addressed by industry. Because each case is unique, the "toolbox" may include company-sponsored consultation or negotiation, and third-party mediation services. The EUB is looking at requiring a senior company representative with decision-making authority meet with affected landowners. If necessary, the EUB would make senior technical staff or a Board Member available for landowner discussions. If matters cannot be mediated, such efforts should narrow the scope of issues for a hearing.

The EUB has always been a strong proponent of early and effective public consultation. In 1998, the EUB endorsed the petroleum industry's *Guide for Effective Public Involvement*, published by the Canadian Association of Petroleum Producers. The guide sets out best practices to ensure responsible community involvement in resource exploration and development.

Despite this progress, EUB audits of routine applications in 1998 found gaps in public information programs. Improving this outcome and clarifying EUB expectations for public consultation will be a focus in the coming year.

New directions for surveillance and enforcement

The EUB has been criticized for reducing field staff and inspections in recent years. While funding constraints meant holding the line at about 90 field staff, modern audit and enforcement systems have also allowed us to work differently.

Take rig inspections as an example. We can now assess an operator's history through a corporate database, evaluate the site's sensitivity, and identify inherent risks such as the presence of sour gas. This work targets where we need to spend our inspection time. Applying these criteria has proven more effective than having inspectors look for problems on a rotational or quota basis.

An unintentional result of these changes is that people may not be as aware of our surveillance and inspection activities as in the past. A goal for 1999 is to reduce administrative duties so staff can spend more time in the field.

Flaring will be reduced

Flaring continued to be a major concern, especially in relation to human and animal health. Under the auspices of the Clean Air Strategic Alliance, the EUB made substantial progress on new flaring guidelines. Due for release in 1999, the guide will lay out regulatory expectations and technical requirements. Over time, the Board hopes to see a reduction in public concern related to this issue.

- *Solution gas flaring*

The EUB currently requires operators to recover solution gas (i.e. gas produced with oil) if it is economic to do so. As a result, industry conserves about 94 per cent of solution gas. When this is not the case, the gas is typically treated as a waste stream and flared. The new flaring directive will reduce upstream, solution gas flaring levels set in 1996 by 25 per cent by the end of 2001. If these targets are not met, we will put in place required regulatory measures to ensure industry compliance. The Board expects additional reductions of 35 to 40 per cent in subsequent years.

- *Well test flaring*

Under EUB requirements, a company must have various approvals before well test flaring. EUB records show that the largest source of this type of flaring happens during initial testing. In 1998, a joint industry/EUB committee began revising guidelines to emphasize the importance of minimizing volumes flared during well tests. Various technical approaches are being considered that would reduce or eliminate well test flaring. One example is to test in-line through a pipeline to a processing facility, a procedure that eliminates the majority of well test flaring. While not all cases allow for this, the Board now encourages companies to use in-line testing where it is practical to do so.

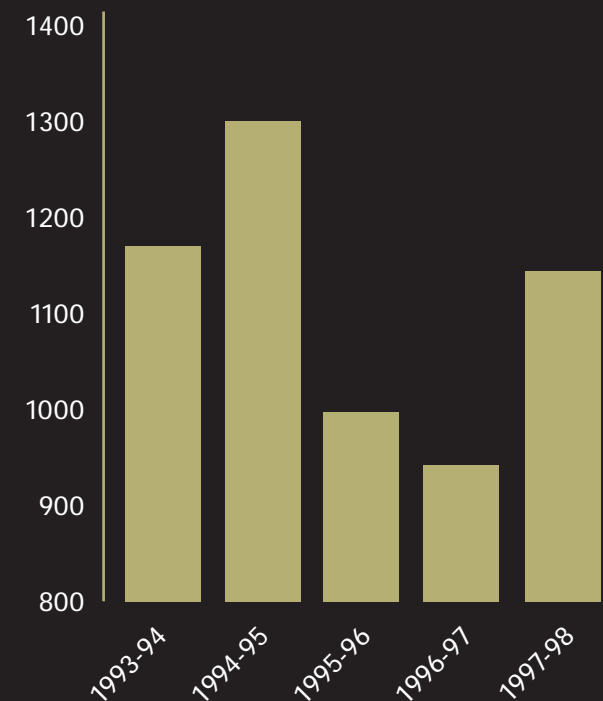
Significant progress in responding to animal health concerns

In September 1998, the Board was one of five organizations from government and the cattle and petroleum industries to fund and hire an Animal Health Investigator as part of a new protocol for resolving animal health issues. The EUB believes these important initiatives should alleviate some concerns and narrow the focus for further study. The agreement sets out the primary roles, responsibilities, and expectations of

- each of the five agencies and associations,
- the Animal Health Investigator,
- the livestock owner, and
- the oil/gas facility operator.

A Look at Public Complaints

EUB field staff respond to all public complaints. The graph below shows that total complaints have varied in recent years, averaging about 1102 complaints per year. Greater public awareness, high activity levels, and the increase in the number of new companies and property divestitures continued to add to the rise in complaints in 1997/98.



Enforcement: A Regulatory Partnership

The agricultural community has been using the services of the Animal Health Investigator since September 1998, although a formal agreement is not yet final. The Board urges people to avail themselves of this important, new service.

Other important regulatory initiatives

EUB staff try to identify and deal with issues before they become problems for the general public. This proactive approach continued in 1998 in areas such as

- early plans to review oilfield waste management guidelines,
- proliferation policies for gas processing facilities,
- sulphur recovery guidelines, and
- the expansion of the orphan well program to include facilities and pipelines.

The balancing act

Depending on the situation, the EUB's involvement in public concerns, complaint response, or new technical or regulatory requirements, involves balancing a variety of valid interests. For example, we often advise a member of the public to contact a company directly to talk over a problem. That citizen sometimes perceives this as a lack of interest on our part. On the other side, an operator may resent when a resident goes to the EUB to complain before approaching the company. This can affect the trust relationship between operator and landowner.

Despite the challenges, the EUB will continue to respond and promote positive relationships among companies, the public, and our own organization. ■

One of the EUB's key achievements in 1998 was its progress in enforcing the rules and regulations of appropriate energy development. Since the 1930s, the Board has focused on firm, fair, and impartial enforcement as key to maintaining public and environmental safety in Alberta's energy industry.

However, more than a half century later, it became apparent that neither industry nor the EUB could continue operating the way they did during previous decades. By the early 1990s, an increasingly competitive industry had emerged, and had grown from 70 companies in 1974 to about 1220 companies today. There was a belief that some operators could profit from bending the rules. Industry began asking for a level regulatory playing field, where companies could not gain a competitive advantage from non-compliance. At the same time, the public was becoming less tolerant of industry impacts.

To the EUB, any bending or breaking of our rules and regulations is simply unacceptable.

Recognizing that times had changed, the EUB set out to alter the way it regulates industry. This required some creative and innovative thinking, and eventually the EUB agreed on two key concepts:

- clear, comprehensive, and concise requirements were needed, and developed with industry input, and
- efficient services must be provided in areas such as licensing and approvals.

In turn, the industry told the EUB, "Hold us accountable. We're ready for these changes."

"This meant a fundamental shift for the industry in how the EUB manages its business," says EUB Enforcement Advisor Leo Touchette. "We had to move away from an activity-based focus to a results focus. This meant setting and working towards four new goals." Those goals are:

- to maintain and enhance a surveillance and enforcement process that is sufficiently rigorous to safeguard the integrity of other EUB processes relating to public safety, conservation of resources and the environment,
- to maintain an enforcement process that is firm and fair to ensure regulatory requirements are met, and operators are treated in a similar fashion,
- to ensure the surveillance process is efficient and responsive to changing circumstances and the needs of all Albertans, and
- to have a surveillance and enforcement process that all EUB stakeholders are aware of and accept.

These goals helped the EUB to design a formula for ensuring successful compliance—what we now call an "enforcement ladder."

What is an enforcement ladder?

Each enforcement ladder is an escalating set of Board-approved enforcement actions and consequences to deal with non-compliance of regulations, or for recurring, negative behaviour by a company.

Each EUB work group is establishing its own specific enforcement ladder based on its area of responsibility, but coordinated with the EUB's overall enforcement principles. A work group handles a non-compliance issue up to a certain enforcement level. If the non-compliance event escalates past that level, or is of such a nature as to immediately enter the enforcement ladder at a high level, then the EUB's Corporate Compliance Group becomes involved. This group has significant authority to deal with the issue and non-compliant company.

How do we know if an event is "Minor", "Major", or "Serious?"

As demonstrated by the diagram on the right, a "Major" event is the "bar" which determines the severity of an infraction. "Minor" events have less severe consequences. "Serious" events trigger even greater consequences.

Major events always involve one or more of the following:

- immediate or potential threat to public safety,
- immediate or potential environmental damage,
- adverse public impact from emissions,
- loss of public rights,
- immediate or potential threat to resource conservation, or
- measurement or reporting inaccuracies affecting stakeholders (fraud).

If any or all of the above apply, the issue is a "Major" non-compliance event. If none of the above apply, but there is still non-compliance at a lower level, it is a "Minor" non-compliance event. If one or more of the above apply, AND the company has demonstrated serious disregard for regulations, AND/OR has committed fraudulent activity, then this is a "Serious" non-compliance issue.

The EUB Enforcement Ladder



What does each enforcement level mean?

Level One

At the beginning of the ladder, an EUB field employee will inform company operators of the problem and simply ask them to fix it right away. Level One is the only opportunity for non-complying operators to rectify the problem at the field level before EUB staff escalate it to the corporate level of a company.

Level Two

At this level, the EUB work group will demand that the problem be fixed. Staff will also require an explanation from the company's senior management about why the problem occurred, and what they intend to do to ensure it won't happen again. Short-term suspensions may be required to alleviate real or potential impacts.

Level Three

This is the EUB work group's last opportunity to facilitate compliance before the Corporate Compliance Group becomes involved. If a company has ignored EUB requests to this point, we may suspend operations until the issue is rectified and a prevention plan is in place.

Level Four

Level Four occurs when a company, at a senior employee level, has ignored proper notification to comply. In these cases, the Corporate Compliance Group will issue an order for closure or abandonment of a well or facility, and may give the offending company a "refer" status on the EUB Corporate Data Information System. Once this has been enacted, no further applications from that company will be processed in a routine manner by any EUB work group.

Level Four+

High-level enforcement offers a number of legal remedies, including seeking cost recovery from an offending company through the Civil Enforcement Act. ■

EUB Applies High-level Enforcement to Orphan Wells

The EUB Enforcement Section is involved in a number of enforcement and compliance issues related to the abandonment of wells. In 1997/98 the EUB issued 39 Abandonment Orders for two facilities, two pipelines, and 66 wells for reasons such as:

- company no longer conducting business in Alberta (defunct company),
- loss of the right to produce,
- inactive well audits,
- technical reasons,
- receiverships/insolvencies, and
- expired mineral rights.

These actions were taken in association with an escalating enforcement ladder and reflect an operator's unwillingness or inability to comply.

Outcomes included:

- abandonment of wells,
- re-acquisition of mineral rights,
- transfer of the well to a responsible operator,
- submission of abandonment deposits
- deeming some wells to be orphans, and
- further enforcement and compliance action.

In 1997/98, the EUB also issued 54 Closure Orders for various non-compliance issues. These were issued for one facility, four pipelines, and 278 wells.

Direct EUB enforcement action during the 1997/98 fiscal year resulted in the enforced abandonment of 122 wells and associated facilities at an expense of \$1.3 million. Expenditures will be recovered through EUB debt enforcement action or reimbursement by the Orphan Well Abandonment Fund.

Industry Compliance Dramatically Improves Data Quality

The EUB today handles more complex and greater volumes of information with less staff than ever before. Fundamental changes have been made to ensure that data quality has stayed on track with increasing demands. One solution was the EUB Data Quality Management Program, which places greater onus on industry to submit correct information. For example, if a company files incorrect information on a production report, it can expect escalating consequences until compliance is achieved. These range from having to pay a fee for errors, to suspension of operations in worst-case scenarios.

In 1998, the data quality program made major strides in the area of oil and gas production reporting. As one of the first to use non-compliance fees, it was successful in maximizing data quality and minimizing EUB and industry costs for correcting deficient information.

" . . . total errors dropped from 20 per cent to just three per cent."

Placing the onus on industry

The accuracy and integrity of production accounting statements for oil and gas facilities (known as S1 and S2 reports) are crucial to the well being of Alberta. The Department of Energy uses production data to assist in royalty calculations, which accounted for provincial revenues of about \$4 billion in 1998, about 25 per cent of total government revenue.

Previously, collecting S1 and S2 reports required substantial staff resources. When the EUB received an erroneous statement from a company, a staff member would call about the mistakes, and then assist the company in correcting the information. Because this personal assistance was readily available, statements were often filed haphazardly. Sometimes as much as 25 per cent of information was incorrect.

When the EUB began its Data Quality Management Program in 1997, staff consulted industry accountants to develop a set of guidelines and regulations that everyone would be able to meet. The end result was an updated *Guide 7: Production Accounting Handbook* which walks production accountants through the filing of each S form, step by step.

The EUB gave industry a generous transition period before compliance was enforced starting on 1 March 1998. "We sent 'shadow bills' for months before the enforcement date to companies who had errors on their submissions," explains Eileen Dickson of Production and Reporting Data Services. "These were non-collectable invoices showing what a company owed in non-compliance fees for its errors."

While some companies took notice right away, Dickson says, there was "still a shock wave when we sent out the first real invoices last March." The total for that first month was over \$300 000—a number which has since decreased significantly.

Since new filing regulations were introduced in early 1998, the percentage of total errors has dropped from 20 per cent to just three per cent. As a result, backlogs have been reduced, and the EUB and industry have saved significant resources. ■

Electronic Data Submission: The Way of the Future?

A key feature of data quality at the EUB is the move to electronic submission. Well test data is the first significant example of this trend.

Previously, EUB staff manually entered a summary of each test received into the database, and stored the raw data on microfiche for public access. This re-keying process became redundant in the early 1990s with the switch to electronic gauges. Also unnecessary was re-keying thousands of test data points to run software programs, and performing various technical well test and reservoir analysis functions.

“ . . .the electronic infrastructure can be used for other applications at the EUB.”

As of 1 July 1998, the EUB began receiving well test data electronically on a trial basis. The new data capture system was designed to preserve the electronic capabilities of the data and eliminate inefficiencies of backlogs, keying errors, and insufficient quality control checks. It was developed by a joint industry/EUB committee after considerable research and consultation.

To help steer the new process, the EUB produced *Guide 52: Electronic Capture of Well Test Data*. Staff also set up a website facility, complete with test formats, templates, examples, documentation, and frequently-asked questions. “The data quality controls that have been built into the electronic system are important in maintaining the integrity of EUB databases, which benefit all users of the data,” explains Brenda Christie, EUB project leader. The system was tested by companies who signed up during a voluntary trial run period. (Electronic submission became a requirement on 1 March 1999.)

“Despite progress so far,” says Christie, “electronic capture of well test data is not yet a perfectly smooth process.” As more tests are being reported electronically, industry continues to identify unique situations that necessitate changes to the system. “Although this is frustrating for all of us, we must remain flexible until we can ensure the system will handle all scenarios in well testing. When you're dealing with electronic commerce of this magnitude, you have to expect a lot of adjustments and fine-tuning.”

To assist the transition for industry and EUB staff, we agreed to accept paper copies of any tests conducted prior to 1 January 1999.

Perhaps the most exciting aspect of this initiative, according to Christie, is that the electronic infrastructure can be used for other applications at the EUB. “Being first in this type of development has not been easy, but we've learned a lot. Several other divisions are now showing serious interest in making the transition to electronic business,” explains Christie. “I would say that the EUB's information role is definitely moving towards a seamless electronic future.” ■

Oil Sands: A Major Focus and Regulatory Challenge

Oil Sands Highlights for 1998

The EUB assessed two significant oil sands mining applications in 1998—Shell Canada Limited's Muskeg and Suncor Energy Inc.'s Millennium projects. In addition, Imperial Oil Resources Limited continued with expansion plans to develop its existing *in situ* oil sands operations at Cold Lake. If approved, these developments would increase Alberta's overall oil sands production by about 40 per cent.

As of the end of 1998, the EUB had completed or scheduled hearings for all three applications to allow for a thorough public review of potential impacts.

The focus on regional development

The recent focus on oil sands mining operations in the Athabasca area has involved industry, regulators, and the public. This is primarily due to the sheer size of these developments. Extremely large investments are required. For example, Shell Muskeg alone will require about one billion dollars of initial investment. These types of projects also impact large tracts of land. Balancing regional development within a framework of environmental, conservation, and socio-economic concerns is challenging. This is even more so when multiple projects have to be considered.

In assessing these huge projects, the EUB's historical regard for resource conservation comes to the fore. The Board wants to see entire ore bodies developed in ways that maximize recovery as opposed to developing each lease on its own. The Board uses the term "regional development" in this context.

The perspective of cumulative effects has also received attention from provincial and federal governments. There is a growing sense that project-by-project considerations lack the scope to properly assess longer-term, environmental impacts of several projects operating at the same time. These concerns encompass regional effects to air, water, biodiversity, habitat, and land use, among others. There is general consensus that a regional context is needed to improve environmental impact assessments. Also required is new, updated information to identify environmental thresholds or limits.

A new regional approach

In response to emerging developments, Alberta Environmental Protection released a draft document in October 1998 called "Regional Sustainable Development Strategy for the Athabasca Oil Sands." Its purpose is "to ensure implementation of adaptive management approaches that address regional cumulative environmental effects, environmental thresholds, appropriate monitoring techniques, resource management approaches, knowledge gaps and research to fill gaps."

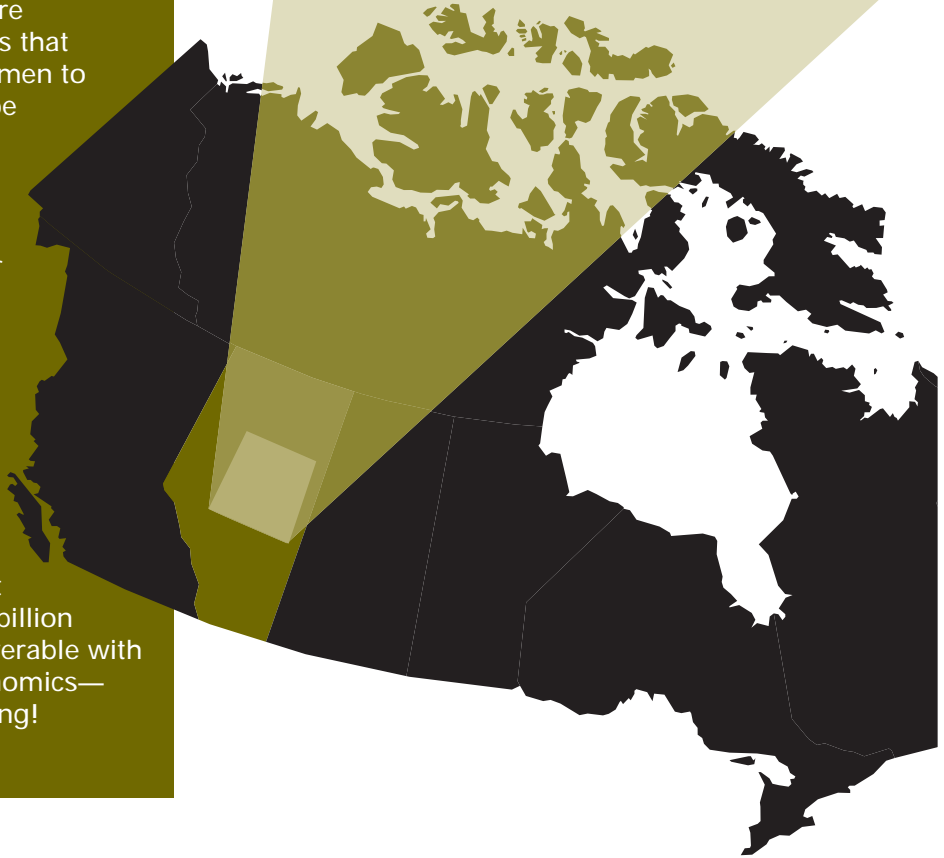
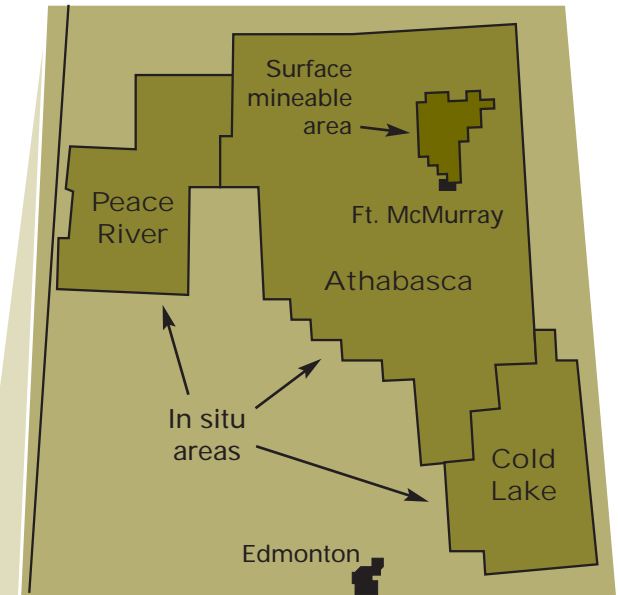
The EUB supports this initiative and will continue to work cooperatively with other groups to foster a progressive, integrated, and competent regulatory environment. Managing responsible development of vast oil sands resources will continue to be a significant challenge in the years ahead. ■

What are "oil sands?"

Oil sands are immobile, solid-like materials at varying depths consisting of mixtures of sand, clay, water, and bitumen. Bitumen is a thick, heavy oil with the consistency of molasses, and is contained in the spaces between sand grains. Near-surface deposits are mineable with huge truck and shovel operations. Deeper deposits are recoverable by *in situ* methods that improve the ability of the bitumen to flow towards wells and then be pumped to the surface.

How much oil sands do we have?

Oil sands occur in three major areas: Athabasca, Cold Lake, and Peace River, covering an area of about 77 700 square kilometres. Current recoverable reserves are about 614 million cubic metres or 3.8 billion barrels. This is bigger than all other individual oil pool reserves in the province combined. About 6.3 billion cubic metres or 40 billion barrels are estimated as recoverable with current technologies and economics—and the technology is improving!



Gas over Bitumen: Conservation Challenges Continue in 1998

Most people today realize that energy supplies from oil and gas—even in a resource-rich country like Canada—cannot last forever. While most people recognize the importance of increasing our energy-use efficiency by insulating our homes, driving more efficient cars, and turning down thermostats, they are probably not as aware of the importance of developing and depleting our resources efficiently.

“A key part of our mandate is to strive for the right balance between resource conservation and profitable development.”

Gas over bitumen: A conservation controversy

In Alberta, oil sands rights and petroleum and natural gas rights have been issued separately for years. Thus, there can be two different owners of resources in the same geological zone. In 1996, several companies—owning different resources in the same zone—came to the EUB with competing interests in how gas and bitumen reserves should be developed.

Because Alberta is a relatively mature oil-producing area, many people think that resource conservation is a top priority for all industry players. As Gary Dilay of the EUB Reservoir Development Group explains, this is not always the case—especially when large financial gains are at stake.

“The Board deals with conservation issues—big and small—on a daily basis,” says Dilay. “A key part of our mandate is to strive for the right balance between resource conservation and profitable development. We try to balance the interests of industry, the public, and government in a way that most benefits the long-term interests of all Albertans. The issue of gas over bitumen is a classic example.”

Gas over bitumen is a double-edged sword: if a company produces pockets of natural gas (or gas caps) found in contact with bitumen deposits, this could have negative effects on how much of the underlying bitumen reserve is ultimately recovered. Estimates predict that 15 to 35 per cent of bitumen resources could contain gas caps that, if produced, may hinder or limit bitumen recovery. On the other hand, production of the bitumen could also affect the recoverability of overlying gas.

Which resource gets top priority? In May/June 1997, the EUB held an inquiry to hear both sides of the issue. In addition to how gas and bitumen production affect each other, the Board considered the extent of reserves involved, economic impacts, and development policy. “The task before the Board was very challenging,” says Dilay. “It was a complex issue, and required technical information in areas where limited field and operational data exists.”

On 25 March 1998, the Board released its inquiry report, concluding that it would allow associated gas production to continue from wells drilled before 1 July 1998. This practice would be subject to resolving concerns raised by oil sands leaseholders or the Board. Operators of gas wells drilled after that date would have to apply to the EUB for approval to produce associated gas. The report created a framework for future gas over bitumen development. It also made it clear that more is known about gas over oil recovery in conventional reservoirs than in oil sands, and that information is needed.

“The rationale behind the decision to allow associated gas production from wells drilled and completed prior to 1 July 1998,” explains Dilay, “is that gas operators installed facilities in good faith with the reasonable expectation that gas production would be permitted. The risk that production would be shut in due to a bitumen-related conservation issue was not expected. Given these circumstances, the Board considered its ruling to be fair. However, if evidence was submitted in specific cases that this would not serve the long-term public interest, the Board would re-consider its decision, and possibly curtail production in those cases.” ■

Turner Valley: A lesson learned

Today's gas over bitumen issue has some similarities to the conservation issue faced 60 or more years ago in Alberta's first major oilfield, Turner Valley, southwest of Calgary. The importance of conservation was not generally recognized in the 1910s and the 1920s. As a result, Turner Valley was developed in a way that flared and wasted large volumes of gas. This waste—caused by a lack of knowledge—resulted in a loss of reservoir pressure and future oil recovery. Only an estimated four per cent of Turner Valley oil reserves were ever recovered.

Like the gas over bitumen issue, Turner Valley faced

- a clash between the interests of private companies and that of the broader public,
- a need to better understand recovery techniques and efficiencies,
- legal questions and challenges, and
- arguments about production rights (equity) versus conservation.

A commission appointed to review the Turner Valley situation enacted conservation legislation which established the Oil and Gas Conservation Board in 1938. Today, ensuring conservation of energy resources is an ongoing EUB mandate.

The EUB believes a prudent approach to conservation requires a proactive regulatory process, which in turn relies on objective, up front, technical analyses, and scrutiny. Resource losses such as the one at Turner Valley are believed to be largely irreversible. Therefore, the EUB places high priority on ensuring that appropriate production strategies are in place before it grants approval to proceed with the resource development.

Electric Utility Deregulation: What It Means for the EUB

Our growing dependence on electricity seems endless. We use power to run our homes, operate our industries, obtain and send information, entertain ourselves, and keep our houses warm during cold Alberta winters. This list goes on and on.

Given this scenario, and a brief but widely reported blackout in 1998 that affected several areas of the province, little wonder Albertans want to learn more about electric deregulation. What does this change in our electric utilities mean, and how will it affect the EUB?

What is electrical deregulation?

Alberta's Electric Utilities Act came into effect in 1996, and established a broad framework for our future electric industry. Based on two years of consultation with stakeholders to set the terms and pace of further restructuring, key provisions of the Act are:

- to establish an efficient market for generation based on fair and open competition,
- to ensure that the benefits and costs associated with existing, regulated plants continue to be shared equitably by current and future customers throughout the province,
- to ensure that investment in new generation is guided by competitive market forces, and
- in cases in which regulation is still necessary, to minimize its costs and provide incentives for efficiency.

What does deregulation mean for the EUB?

The electric power industry falls into three main segments: generation, transmission, and distribution. While deregulation does not affect the physical nature of electricity delivery, the activities of generation, transmission, and distribution are treated separately for regulatory purposes.

It is important to note that the physical transmission and distribution of electricity are natural monopolies and will stay that way. To build competing sets of wires across the province would result in unnecessary and expensive duplication. The EUB will continue to oversee applications for electricity transmission and distribution to protect Alberta consumers.

Deregulation will mean a number of changes as steps are completed towards the restructuring of our electric industry. For example, in the "old world," a utility applied to the EUB for a new generating plant. If the EUB determined that it was required, utilities were able to recover their costs through regulated rates. These rates were designed to be fair and reasonable, and balanced the interests of consumers and utilities.

The Negotiated Settlement Process: The Future of Utility Adjudication?

Starting 1 January 2001, owners of generating units built before 1995 will recover their costs based on a formula set by an expert body called the “Independent Assessment Team” and approved by the EUB. This arrangement will end rate regulation of generating units by the EUB. The marketplace will determine rates for new generation.

How will the deregulated industry operate?

The Power Pool is the focus of the new, deregulated industry, through which all electric energy entering Alberta’s system (whether generated here or imported) must be bought and sold. The Pool matches demand with lowest cost supply and sets a market price every hour. Access to the pool is available to all generators, distributors, importers, and exporters who meet the qualifications of the Power Pool. The Pool is operated by the following key players:

- The Power Pool Council, representing all market participants, ensures that the Pool is operated as an open, fair, and efficient market for power.
- The Transmission Administrator (TA) oversees the use of the transmission system by buyers and sellers to ensure fair rates, non-discriminatory access for all market participants, and the safe, reliable operation of the system. The TA recovers its costs and that of the transmission system through a set of tariffs for system access, which is subject to EUB approval.
- The Market Surveillance Administrator is appointed by and is a member of the Power Pool Council. The administrator monitors the effectiveness of the market on an ongoing basis.

How will residential customers be affected?

The biggest change customers will notice is that they will have more choices to make regarding their electrical service. Ultimately, customers will have the right to choose their retailer of electricity. Their energy rates will depend on this

choice, not on the service area they happen to live in, as was the case in the past.

Power services will be unbundled, meaning that they can be offered and priced separately by competing retailers. The plan is that these retailers will develop new types of services and rate packages designed to fit individual needs and preferences. Because there may be many marketers competing for clients, residential customers might see lower prices for electricity. Albertans who don’t want to take advantage of these service packages have the option of continuing with a 5-year rate plan from their existing utility providers.

When will electric deregulation be complete? The phasing in of competition will begin in 1999 with large-scale industrial customers. Full deregulation will extend to residential customers by 2001.

What role does the EUB play in all this?

The EUB will continue to regulate specific electricity rates in a deregulated environment. For example:

- Until 2001, older generating plants built prior to deregulation stay under EUB jurisdiction. The EUB will still be responsible for approving rates of Alberta’s large investor-owned utilities, such as ATCO Electric Ltd. and TransAlta Utilities. This will change when full deregulation occurs.
- The EUB will continue to review applications to build new generating plants for compliance with environmental and siting requirements. ■

In May 1998, the EUB published Informational Letter 98-4, “Negotiated Settlement Guidelines regarding Tolls, Tariffs, and Conditions of Service.” This document outlines the EUB’s expectations when a utility adopts a Negotiated Settlement Process (NSP) to set tolls, tariffs and conditions of service. The NSP is alternative or complementary to the traditional rate hearing process. It contributes to regulatory efficiency through reductions in hearing time and costs, and by enhancing public participation.

Key Principles of the Negotiated Settlement Process

In developing the NSP guidelines through consultation with stakeholders, the EUB was acutely aware of the need for fairness. Stakeholders helped craft the following key principles of the NSP:

- Parties involved with the process will participate in good faith.
- The process must be conducted on a confidential basis.
- The process must be sufficiently flexible to accommodate unique circumstances and requirements.
- All parties with an interest must be given the opportunity to participate fully and have their respective interests properly addressed.

NSP guidelines also provide information on the criteria which the EUB may consider in evaluating and approving a rate application that results from the NSP. NSPs provide utilities and interested parties with the opportunity, unconstrained by the formal legal procedures inherent in a traditional rate hearing, to

- develop a better understanding of the issues,
- achieve mutually satisfactory outcomes,
- obtain greater certainty of results, and
- realize significant cost savings.

“In 1998, the EUB approved a number of applications filed by utilities which had adopted the NSP,” explains Ed Gallagher of the EUB Utilities Division. “In fact, the EUB fully expects that increasing use of negotiated settlements is a trend that will continue in the future.”

How does a NSP work?

According to Gallagher, every case is unique, and the guidelines recognize that the NSP must be sufficiently flexible to accommodate this. “Each utility uses the guidelines as a basis to develop its settlement process in the way that is best suited to its particular circumstances and requirements.”

Unlike the traditional hearing, the EUB is not an active participant in the NSP. The process involves the utility, concerned stakeholders, and interested parties. The EUB evaluates the process to determine whether everyone with an interest has been given the opportunity to participate and that the settlement agreement is in the public interest. The EUB may step in to assist as mediator, if requested. In general, however, the involvement of the EUB begins when the utility submits the application that results from the settlement process.

An application from a NSP must provide the Board with

- sufficient information to enable the Board to assess the settlement,
- evidence that the applicant company gave proper notice to all interested parties of the proceeding,
- the settlement agreement,
- details of issues not resolved,

- an outline of issues that were not unanimously accepted, including the names of those who disagree, and
- the rates that will result from the settlement with supporting information.

“At the end of the day,” says Gallagher, “the utility still needs our approval. It must provide the Board with the appropriate information to fully support the settlement. The Board will then review the application to ensure it meets the public interest and issue a decision.” ■

Recent Trends in EUB Hearings

Unless you work in Alberta's energy or utility sector, or live near an energy facility, your only awareness of the EUB may be our hearing process. For EUB staff, hearings symbolize our role as a quasi-judicial body. Directly or indirectly, all of our core processes related to knowledge and information, enforcement and surveillance, and applications support our independent, adjudicative function.

In the past few years, we have received feedback from public and industry stakeholders that hearings are getting longer, there are too many of them, and decisions take too long. We'd like to share some facts with you that may provide a better perspective.

Are there more hearings than before?

It depends on how far back you go for a comparison. In 1998 the EUB held 39 hearings, up from 36 in 1997. This included 27 energy and 12 utility hearings. Analysis of the annual number of energy-related hearings since 1980 shows that recent hearing numbers do not nearly approach high levels from 1980 to 1985.¹ A record 89 hearings in 1985 was followed by a general decline for the rest of the decade. The Board held 12 hearings in 1992, a number that doubled in 1994 and has mainly increased since then.

Each year, the EUB receives thousands of applications for new wells, pipelines, and production facilities, as well as changes to existing ones. During the 1990s, for example, the number of applications went from 12 000 per year to 20 000 in 1997. This means very few applications result in a hearing. The vast majority are routine and concerns are resolved satisfactorily without a hearing.

Have the main topics of hearings changed?

There seems to be a general misconception that more and more hearings are being triggered by public and landowner concerns. Analysis of hearing trends does not bear this out.

Energy hearings generally fall into two categories; primarily intra-industry, or hearings that involve landowner or community matters. Until the late 1970s, the Board rarely held hearings involving ordinary residents. With the emergence of environmental awareness and mega-projects in the late 1970s, the EUB increasingly heard from landowners and communities who wanted a say in decisions affecting them.

A look back at the Board's annual report for 1984 shows that just under half of the 68 hearings that year were held to

¹ We have limited this analysis of hearing trends to energy-related matters because we have consistent records going back for many years. Energy hearings include oil, gas, coal, oil sands, pipelines, and electric power plants and transmission lines. These types have continued to make up 75 per cent of EUB hearings since the 1995 amalgamation of the Energy Resources Conservation Board and the Public Utilities Board. Utility rate hearings account for the remaining hearings each year.

consider public concerns. This split between public and intra-industry varies from year to year but has remained fairly stable overall. In 1998, for example, just over half of all energy-related hearings involved public interventions.

Have hearings become longer?

Yes, but it's important to keep the context in mind. In 1984, the Board responded to concerns that public involvement at hearings was causing an unreasonable increase in the cost and length of hearings. A study showed that—despite great variation—the average hearing was 1.5 days long. The Board argued this was reasonable and created a fair opportunity for Albertans to express their concerns.

Although analysis has not been done for each subsequent year, the average length of an energy hearing in 1998 was 3 days, doubling at some point over the past 15 years. A detailed look at 1998 hearings reveals that, of 39 energy hearings, 22 were 2 days or less, 10 took up to 5 days, and seven took more than 5 days.

The Board believes that today's hearings are still an acceptable length given the complexity of issues and technologies being considered. Recent hearings have been set against a backdrop of record activity, an increasing population, sensitive sour gas development in the foothills region and near-urban areas, human and animal health concerns and research, and a growing infrastructure of petroleum facilities.

Is it taking longer for a Board panel to release a decision?

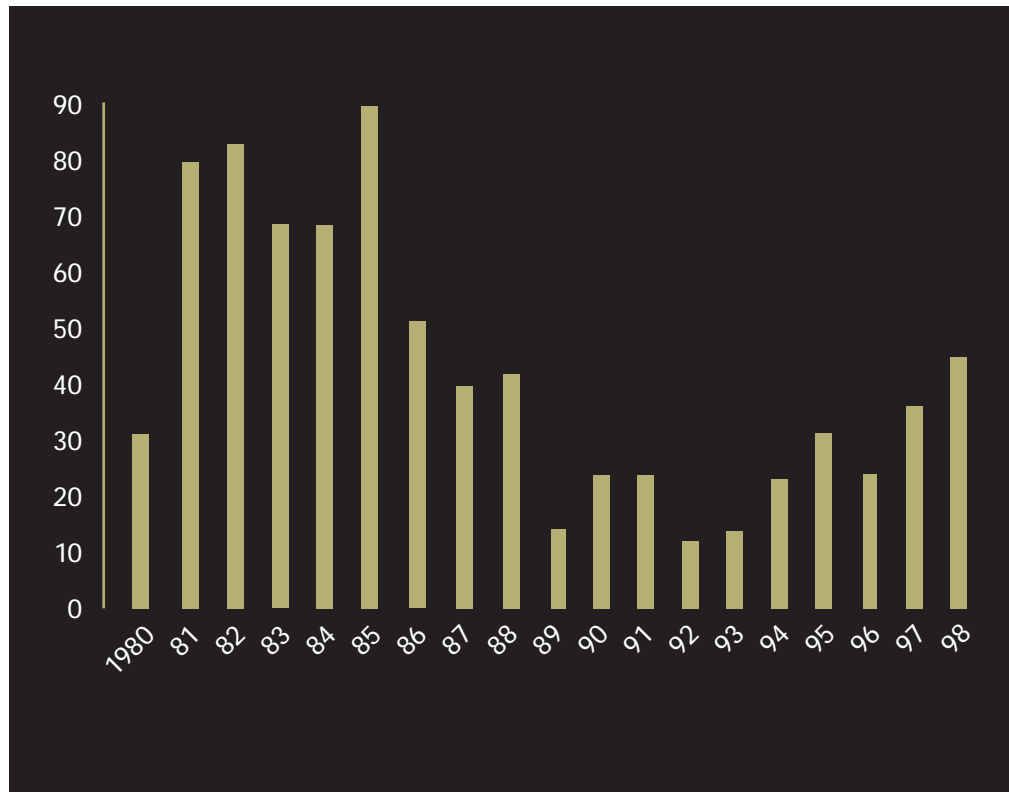
A comparison of written decisions for energy hearings released in 1990, 1995, and 1998 shows that the average time to issue a decision has remained fairly constant at 50, 45, and 50 days respectively. Regardless of these numbers, the Board recognizes the importance of timely decision making. Board staff are working together to ensure we are meeting changing expectations for quicker decisions.

What's the future for EUB hearings?

The statistics presented in this article show that the length of public hearings and timeliness of decisions have not changed significantly in recent years, despite high industry activity and reduced staffing. Yet the Board has been criticized on both counts.

The Board hopes this information contributes to a gradual change in public perceptions. However, we also acknowledge the old adage that “perception is reality.” There are always ways to improve. The Board has announced plans to improve its facilitation of landowner problems in the pre-application phase, and to explore alternative dispute mechanisms to avoid costly and often confrontational hearings. ■

Board Hearings



A. Opening Remarks

- statement of purpose
- introduction of Panel and staff
- summary of notice given
- participant registration

B. Preliminary Matters

- procedural or legal matters

C. Applicant (Application)

- registration of applicant's documents as exhibits
- introduction of applicant's panel and credentials
- applicant's direct evidence
- cross-examination of applicant by interveners
 - Board staff
 - Board panel
 - re-direct evidence of application

D. Intervenors

- registration of intervenor documents as exhibits
- introduction of intervenors' panel and credentials
- intervenors direct evidence
- cross-examination of applicant by
 - applicant
 - other intervenors
 - Board staff
 - Board panel
 - re-direct evidence of Intervenors

E. Rebuttal Evidence by Applicant

- applicants may submit additional evidence to address new points raised by the intervenors' evidence

F. Final Argument

- participants present the most important aspects of the issues and decisions they feel the Panel should make
- applicant may respond to intervenors' arguments

G. Closing of Hearing

- Panel Chair announces deferral of Panel's decision until later

H. Decision Report

- Board's final decision is issued several weeks to months after the hearing, in a Decision Report. This is distributed to all registered participants and is available to the public

Measuring Stakeholder Confidence in the EUB

In the spring of 1998, the EUB conducted a stakeholder survey to measure satisfaction with our key services and, more importantly, confidence in the Board as a regulator. We wanted to find out how we were doing given recent changes in our approach to regulating Alberta's energy and utility sectors. The Angus Reid Group conducted the primary research through telephone interviews with over 400 participants. (The margin of error for this sample size is plus or minus 4.9%.)

The telephone survey contacted people with a working knowledge of EUB services and attributes. Participants were randomly selected from a database of about 6000 names, representing the full range of EUB stakeholders. The number of respondents from the "general public" stakeholder group was monitored to ensure that results from this group would produce statistically valid results. EUB staff had no direct involvement in selecting specific participants.

"The EUB's responsiveness to public complaints received the highest score in the entire study."

What is "confidence?"

The dictionary says it means "faith or belief that one will act in a right, proper, or effective way." But what are the attributes that lead to confidence in a regulator like the EUB?

To find out, we asked a random selection of 19 focus group participants—a mix of people from industry, landowners, and consumer and environmental groups—what is important to them when they deal with the EUB. This inventory of attributes was used for our telephone survey.

The most important EUB attributes are:

- impartiality and independence,
- experienced staff with technical expertise,
- access to quality information,
- clarity of mandate, regulatory requirements, and processes,
- timely stakeholder consultation, and
- enforcement (local, fair, equitable).

Overall satisfaction

When all is said and done, 75 per cent of people who interact with the EUB on a regular basis are satisfied. When commenting on what was positive, respondents frequently mentioned staff-related qualities. In fact, 94 per cent had positive comments, a result pollsters consider to be very good.

Given that the EUB must balance a variety of conflicting interests, this overall result provides an important context for interpreting problem areas. For example, one in four said they had experienced a problem dealing with the EUB. The majority cited delays and turnaround concerns for approvals, decisions, and information. More serious was the finding that, when people had a problem, 70 per cent said it wasn't solved to their satisfaction. When asked why, most felt that inadequate staffing was a key factor.

People also mentioned difficulties with the availability of staff and with clear requirements. With high levels of industry activity in recent years, our own human resource constraints, and major new approaches to handling oil and gas applications, the Board expected to hear about these frustrations. Staff know how important it is to try and resolve such problems.

Perceptions of EUB as a regulator

The survey asked specifically about the "image" of the EUB and the core services we provide. The good news is that the highest-rated category was the helpfulness and courteousness of EUB staff. Almost two-thirds of participants gave our people a 6 or 7 score.² This positive assessment was borne out in other parts of the survey. There is a need to support staff so that there is no erosion of this outcome in the future.

Stakeholders rated communications and opportunities for input slightly higher than the EUB's overall image rating of 4.9. Flexibility and clarity of purpose/process scored slightly below this average. EUB timeliness received the lowest image

² Respondents scored a series of statements about EUB attributes on a scale of 1 (strongly disagree) to 7 (strongly agree).

attribute rating, with just a quarter of respondents giving a score of 6 or 7. While the areas of impartiality and fairness in conducting our work received relatively good overall scores, the high percentage of neutral to negative ratings (i.e. 1-5) needs further exploration.

“Overall, the EUB core process with the highest marks was information and knowledge. Information was viewed as a unique strength.”

Perspectives on EUB core processes

All of the EUB's work fits into four core processes:

- adjudication and regulation,
- surveillance and enforcement,
- information and knowledge, and
- applications handling.

In this part of the survey, interviewers asked people a series of statements about a core EUB process with which they were most familiar. They were asked to think about their own personal experience, not perceptions. Due to the nature of the general public's interaction with the EUB, respondents from this stakeholder group were presented with appropriate statements representing all four core processes. Except for views on surveillance and enforcement, the public's ratings were consistent with all others.

Overall, the EUB core process with the highest marks was information and knowledge. Information was viewed as a unique strength. The Board recognizes that electronic technologies are affecting people's expectations in this area.

We must make gains to ensure access to quality energy information remains a key advantage for players in this province's energy sector.

Surveillance and enforcement was the highest-rated core process among non-public respondents, with a mean rating of 5.2. (The public gave this a 4.5.) The EUB's "responsiveness to public complaints" received the highest score in the entire study. Given media coverage during the past year of landowner concerns about the oil and gas industry and the EUB's intention to be more proactive, this is one to watch in future.

Adjudication and regulation was the lowest-rated core process with an overall mean rating of 4.5 out of 7. The Board wants to examine more closely the possible reasons for this outcome and what can be done to change people's views on this crucial aspect of what we do.

“The good news is that the highest-rated category was the helpfulness and courteousness of EUB staff.”

Applications showed mixed results. Process clarity and timeliness received low ratings, although application turnaround time for facilities applications (wells, pipelines, etc.) were acceptable to most people. Again, this result seems to reflect the EUB's changing approaches to how it handles various types of applications. Like all surveys, there are results we are satisfied with and things we must improve. As a "first" for the EUB, this survey will serve as a benchmark for future polls. ■

Next steps

The survey information has been very valuable as the EUB looks ahead to setting direction and priorities for the coming year and beyond. The Board is committed to maintaining and enhancing the strengths and competence of its people, improving the timeliness of decisions, and balancing the public interest with fairness. The goal is to do these things and make sure our stakeholders know that we are. That's the objective.

AGS Research Facilitates Diamond Exploration

Two kimberlite pipes—the cone-shaped volcanic rocks in which diamonds “grow”—were discovered 75 km northeast of Grande Prairie in 1990. This was a novelty for Alberta, a province traditionally known for its oil and gas resources. This important find, coupled with the discovery of a kimberlite cluster in the Buffalo Head Hills, signaled a new resource potential for Alberta and triggered a staking rush in 1992/93.

Diamond exploration continued to be the driving force in Alberta’s mineral sector in 1998. The October 1998 discovery of kimberlite in the Birch Mountains of northeastern Alberta brings the total number of kimberlitic regions to three. The total area of provincial land now under permit for mineral exploration is over 45 million hectares or almost 90 per cent of the available Crown lands and 66 per cent of the entire province.

“Diamond exploration continued to be the driving force in Alberta’s mineral sector in 1998.”

The Department of Energy currently holds 5023 active permits involving 180 different clients, most of whom are focussing on diamond exploration. The possibility of finding gems has also created record exploration activity with diamond exploration expenditures expected to reach \$20 million to \$25 million during 1998.

The Alberta Geological Survey (AGS) has been at the forefront of the recent diamond play since the publication of “The Diamond Potential of Alberta” in 1996. The popular research bulletin outlines areas of high potential for finding diamond-bearing kimberlites in the province. AGS geologists and researchers have provided essential information used by many, if not all, companies exploring for the precious gems in Alberta. ■

The EUB Prepares for Y2K

The EUB will be fully prepared when the Year 2000 arrives. All critical systems were checked by the end of 1998 and deemed satisfactory. Now, the EUB is checking “non-critical” systems.

The EUB has also required industry to develop and follow through on their Y2K plans. In early 1998, the EUB requested preparation information from 126 companies considered to be high risk, primarily for safety reasons. These include operators of sour gas plants or pipelines, and gas or electrical utilities.

According to Alnoor Karmali, a member of the EUB’s Information Systems and Technology Group, the EUB is taking industry preparation as seriously as its own. “When you’re dealing with mass electronic interchange like the EUB does with so many companies, one unprepared company can throw a wrench into the smooth workings of the whole system,” explains Karmali.

“We have been busy testing the data sent in by various companies as a result of file layout changes. We also followed up with companies on the responses they sent us on their Y2K program status. We will use our normal escalating enforcement processes if companies fail to comply. Fortunately, industry seems to be keeping pace with the necessary changes,” he added. ■

1998 Applications Summary

Wells

- 9229 approvals (new, re-entry, resumptions)
- 54 critical sour gas wells (including re-entries)

Production Facilities

- 734 new oil and gas batteries, satellites, compressor stations, tank farms, pump stations
- 562 modifications to the above facilities
- 17 new gas plants
- 53 modifications to existing gas plants
- 13 modifications to sulfur recovery gas processing plants

Pipelines

- 4275 pipeline permits for new construction
- 2579 amendments to existing pipeline licenses

Oil Sands

- 3 registered applications for new or expansions of existing mining or plant projects
- 34 non-registered applications related to mine or plant operations
- 12 new experimental and primary recovery oil sand schemes
- 3 new commercial schemes

Environmental Review

- 281 sour gas flare permits

Coal

- 25 registered applications for new or modified coal projects
- 64 non-registered applications related to mining operations

Refineries (oil sands, oil, or gas)

- 4 amended industrial development permits

Reservoir Development

- 1897 applications for reservoir schemes

Hydro and Electric

- 48 applications for transmission lines and substations, power plants, industrial system designations, electrification association and service area changes

Utilities

- 32 gas utility rate applications
- 20 electric utility rate applications
- 39 special franchise agreements
- 26 applications for regulatory exemptions
- 25 other types of applications (rate riders, sale of assets, milk price orders)

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