

a c r o s s t h e b o a r d



Alberta has about 5.5 million beef and dairy cattle and 266,000 km of EUB-regulated pipeline. The EUB practices zero tolerance for companies who don't comply with pipeline regulations. (See story, right)

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About the EUB

Our mission is to ensure that the discovery, development, and delivery of Alberta's resources take place in a manner that is fair, responsible, and in the public interest. We regulate oil, natural gas, oil sands, coal, hydro and electric energy, pipelines, and transmission line development. On the utilities side, we regulate investor-owned natural gas, electric, and water utilities to ensure that customers receive safe and reliable service at just and reasonable rates. Regulation is done through four core functions: adjudication and regulation, applications, surveillance and enforcement, and information.

The Real Story on Pipeline Performance

The EUB is concerned that recent media accounts of its pipeline performance statistics indicate that they have been misunderstood and misinterpreted. The reason is likely the way we have presented them.

The problematic statistic is that of some 200 operational pipeline inspections conducted in 1998-99, 105 were "unsatisfactory." This led to the false conclusion that there is a serious problem with pipeline performance in Alberta.

The EUB takes pipeline inspections very seriously. Currently, inspections are classified as "satisfactory" or "unsatisfactory"—there is no grading system for minor issues. We are changing this grading to follow our enforcement ladder model, which allows for minor, major, and serious inspection categories. Up until now, inspections have been listed as unsatisfactory when even one minor item does not pass the inspection, such as a

There are more than 266 000 kilometres of energy-related pipelines under EUB jurisdiction. As with all other petroleum-related facilities, the EUB has inspection, surveillance, and enforcement processes to monitor industry compliance with pipeline regulations and requirements.

During 1998/99, the EUB recorded 798 operating pipeline failures. A failure occurs anytime a pipeline fails to contain 100% of the product it is transporting and is classified as either a leak or a rupture.

- In a leak, product escapes but the pipeline is able to continue operating. Most of the 798 failures noted above were small leaks.
- In a rupture, product losses immediately impair the pipeline's operating capability. Ruptures are usually detected immediately and operations are shut in.

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missing right-of-way sign. This zero tolerance causes many inspections to be recorded as "unsatisfactory."

Of 105 unsatisfactory results in 1998/99, only 15 (14.3%) found a "serious" noncompliance item that resulted in a temporary shutdown. The average shutdown was three days, during which the pipeline company rectified the item. "Serious" items ranged from overpressure situations to improper service (e.g., using an abandoned line to move salt water) to beginning construction without proper permits. All 15 situations were corrected by the operators.

The EUB also inspects pipelines under construction. In 1998/99, 358 construction inspections were carried out, of which only eight (2%) were temporarily shut down due to such items as no approvals, incorrect approval information, or unacceptable practices, such as improper backfilling. So, out of a total of 558 inspections, only 23 (4%) resulted in a temporary suspension.

This means that even a pinhole leak in a freshwater line is classified as a "failure." The EUB does not compromise on the reporting of pipeline failures even though the amounts of product released are usually small.

EUB Report 98-G, *Pipeline Performance in Alberta, 1980-1997* examines trends over the past 18 years and draws several conclusions about the nature of failures and their frequency:

Failure Cause

- Leaks comprise about 8% of all failures.
- More than 45% of ruptures are caused by third-party damage (e.g., being hit by heavy construction machinery). Less than 10% are caused by corrosion.
- 63% of leaks are caused by corrosion. Of these, half are caused by internal corrosion, 13% by external corrosion, and the other 36% by third-party damage, joint, weld, or equipment failures.

For Your Information...**Recent EUB Publications****General Bulletins**

GB 2000-11: EUB Southern Region Field Centre

GB 2000-12: 2000 Administration Fees, General Assessment, and Funding of Broad Industry Initiatives

GB 2000-13: Forum Workshops on Costs Policies and Procedures for Energy and Utility Proceedings

GB 2000-14: EUB Guide 55 - Storage Requirements for the Upstream Petroleum Industry - Reminder of Deadlines in Appendix 1

Publications

Statistical Series 2000-31: Reserves of Coal, Province of Alberta, at December 31, 1999

Coal Maps - 1999 (Coal in Alberta and Significant Coal-Bearing Formations in Alberta)

AGS Earth Sciences Reports

ESR 00-03: Remnants of ultramafic igneous rocks in bedrock of the Kakwa/Wapiti area

ESR 00-05: Historical overview of Fort McMurray area and oil sands industry in north-east Alberta

ESR 00-06: Regional geology of the Upper Blaimore Group and Bow Island formation: a subsurface study in southwestern Alberta

AGS Aggregate Resource Maps

Map A74D: Sand and gravel resources of Waterways map area (NTS 74D)

Map A74E: Sand and gravel resources of the Bitumont map area (NTS 74E)

Map A83L: Sand and gravel resources of the Wapiti map area (NTS 83L)

News Releases

2000-23: EUB Releases Facility Inspection Manual (Guide 64)

2000-24: EUB Approves New TransAlta Electricity Rates

2000-25: EUB Issues 1999 Reserves Report

2000-26: EUB Denies Request for Inquiry into Oil and Gas Operations in Hythe-Beaverlodge Area

2000-27: EUB Issues Report from EPCOR and ATCO Rosedale Prehearing Meeting

For information on how to obtain copies of these documents, see page 4.

Recent Decisions

May 7: Implemented adjusted rate riders for ATCO Electric Ltd, effective May 1, 2000, after ATCO discovered an error in its previous refiling (Decision 2000-26)

May 16: ESBI Alberta Ltd. 1999/2000 Tariff Application Refiling - Part D Line Losses Calculation Methodology (Decision 2000-27)

May 24: Further to a customer complaint, approved implementation of interim rates for 722924 Alberta Ltd., a small water utility, effective June 1, 2000 (Decision 2000-28)

May 24: Approved an application by 762265 Alberta Limited, a small water utility, to change its rates as of January 1, 2000 (Decision 2000-29)

May 30: Approved Shell Canada Limited's applications to build a 150 megawatt cogeneration plant and an 8.7 kilometre hydrogen pipeline at the company's Scotford Upgrader site in the Fort Saskatchewan area (Decision 2000-30)

May 30: After reviewing TransAlta Utilities Corporation 1999/2000 electric tariff application, approved closure of 1999 generation deferral accounts, changes resulting from ESBI Alberta Ltd.'s new tariffs effective June 1, 2000, and implementation of a refund rider (Decision 2000-31)

May 30: After review of EPCOR Generation Inc.'s 1999/2000 electric tariff application, approved closure of 1999 generation deferral accounts and changes resulting from ESBI Alberta Ltd.'s new tariffs effective June 1, 2000. (Decision 2000-32)

May 30: Approved Canadian 88 Energy Corp.'s application for a well licence in the Okotoks Field (Decision 2000-33)

May 30: ESBI Alberta Ltd. Phase I & II 1999/2000 General Rate Application, Second Refiling (Decision 2000-34)

May 30: Canadian Western Natural Gas Company Limited 1997 Return on Common Equity and Capital Structure, and 1998 General Rate Application - Compliance Filing. Directed CWNG to submit a second compliance filing incorporating the Board's findings with respect to the initial compliance filing (Decision 2000-35)

The Real Story on Pipeline Performance

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Failure Frequency

- The failure frequency of Alberta pipelines (or number of failures per 1000 km of installed pipeline) is steady despite an aging infrastructure. Some pipelines show a decreasing failure frequency.

The overall frequency for sour gas pipeline failures remains very low and has declined over the last decade.

- Most failures occur on water and multi-phase oil effluent (a mix of oil, water and gas) pipelines. These small-diameter, lower-volume pipelines are common in Alberta's oil and gas industry because of their use in gathering systems.
- The overall frequency for sour gas pipeline failures remains very low and has declined over the last decade. This may be due to the extra care that operators are taking in corrosion inspection, monitoring, and mitigation for sour lines.
- A decline in external corrosion failures also indicates advancements in and use of superior pipeline protective coatings in Alberta.
- While pipeline age can be a factor, proper corrosion prevention and failure mitigation programs allow older pipelines to be operated safely and within requirements.

The EUB takes enforcement action in all cases of noncompliance, and we intend to continue this practice. We believe that third-party damage is an important area that requires ongoing vigilance.

Awareness of proper safety processes and procedures is key to decreasing this problem, and damage prevention seminars remain a vital component of EUB safety promotion. In 1998/99, staff held 48 seminars with over 1340 industry and construction personnel to reinforce safety precautions and requirements.

EUB *Report 98-G* is available on our Web site at www.eub.gov.ab.ca or from EUB Information Services at (403) 297-8190. Please also contact us if you need clarification or more information. ❖

EUB Advisory Committee: A Window for Stakeholder Input

May 17 marked the launch of the newly formed EUB Advisory Committee—a 12-member liaison committee that acts as a sounding board for the EUB by providing input into our planning and feedback on our performance.

The EUB Advisory Committee resulted from a recommendation of the 1999 Funding and Governance Review, which saw the need for a window of input for stakeholders to offer advice to the EUB in its annual planning process. Committee input and advice will support the EUB as it continues to build a strong regulatory framework that protects the interests of Albertans. The committee's role consists of

- alerting the EUB to emerging regulatory issues,
- providing input on our long-range plans and priorities,
- monitoring and providing feedback on the adequacy of our communications, and
- giving feedback on EUB performance relative to stated objectives.

"It [the advisory committee] represents a significant way to learn about issues that may affect the public interest associated with energy and utility matters."—Neil McCrank

To ensure the EUB's independent, quasi-judicial role, the committee does not have an oversight function and will not be involved in any decision making or deliberations related to specific applications or companies.

Membership has been selected to ensure a balance that broadly represents the interests of EUB stakeholder groups. It includes the following people:

- Roelof Heinen**, Public Member
Gordon Graydon, Mayor of Grande Prairie
Jack Davis, President and CEO, Calgary Regional Health Authority

Ken Smith, Deputy Minister, Department of Resource Development

David Tuer, President and Chief Executive Officer, PanCanadian Limited

Wayne Kubasek, Senior VP, Business Development, Mobil Oil Canada

Keith MacDonald, President, Country Rock Resources

Dick Frey, President, ATCO Electric

Garry Paulson, VP, Finance, Luscar

Ross Douglas, President and CEO, Mancal Energy Ltd.

Arden Berg, Board Member, EUB

Neil McCrank, Chairman, EUB

EUB Chairman Neil McCrank opened the group's first meeting by stating his belief that the committee is an important addition to the EUB's consultative activities. "It [the advisory committee] represents a significant way to learn about issues that may affect the public interest associated with energy and utility matters," said McCrank.

"Committee input will help shape EUB policy and strategic planning, will help us

with our responsiveness to issues affecting the public, and will support our efforts to build a strong regulatory framework that protects the interests of Albertans."

The Advisory Committee meets twice yearly, coinciding with EUB planning cycles. The next meeting of the committee is planned for early fall.

For more information about the various committees and groups working with the EUB to ensure a sound regulatory framework for our province's resources, visit our Web site at www.eub.gov.ab.ca. ❖

Questions, Complaints, Problems? Who to contact...

Utilities—For general information or to file a consumer utility complaint, please contact us at

EUB Utilities Branch
 10th floor, 10055 - 106 Street
 Edmonton, Alberta T5J 2Y2
 Telephone: (780) 427-4901
 Fax: (780) 427-6970
 E-mail: utilities.concerns@eub.gov.ab.ca

Oil and Gas—For information or complaints about new or existing oil and gas developments and facilities, we recommend contacting the operating company first. If the company doesn't respond appropriately, you can contact the nearest EUB field centre (see list), all of which provide 24-hour on-call service.

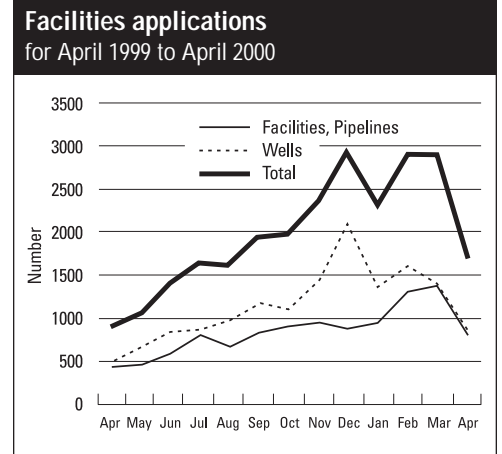
EUB Field Centres (24-hour on call)

| | |
|----------------|-----------------|
| Bonnyville | (780) 826-5352* |
| Drayton Valley | (780) 542-5182* |
| Grande Prairie | (780) 538-5138* |
| Medicine Hat | (403) 527-3385* |
| Midnapore | (403) 297-8303* |
| Red Deer | (403) 340-5454* |
| St. Albert | (780) 460-3800* |
| Wainwright | (780) 842-7570* |

* To call toll free from anywhere in Alberta, dial 310-0000 and enter the 7-digit local number to connect, or press zero for a RITE operator.

Application Summary

| Facilities applications for April 2000 | |
|--|------|
| Production facilities | 148 |
| Pipelines | 680 |
| Wells | 899 |
| Total received | 1727 |
| Total completed/approved | 1614 |
| Closed | 4 |
| Withdrawn | 51 |



| Resource applications for April 2000 | |
|---|-----|
| Equity (rateable take, common carrier, common purchaser, common processor, compulsory pooling, special spacing) | 29 |
| Conservation (resources – oil, gas, and in situ bitumen; gas removal, enhanced recovery, water disposal, concurrent production, underground storage, commingled production, reserves) | 98 |
| Depletion administration (good production practice, penalty relief) | 15 |
| Corporate (transfer) | 2 |
| Mining (coal and mineable oil sands) | 5 |
| Total received | 149 |
| Total completed/approved | 166 |

| Utilities applications for April 2000 | |
|---------------------------------------|----|
| Electric | 1 |
| Gas | 8 |
| Facilities | 4 |
| Franchises and others | 6 |
| Total received | 19 |
| Total completed/approved | 12 |

| Corporate transfers and name changes for April 2000 | |
|---|------|
| Well licence transfers | 946 |
| Well licence name changes | 1198 |
| Pipeline licence transfers | 173 |
| Total received | 2317 |
| Total completed | 4657 |

Upcoming Public Hearings: spring/summer 2000

Please note: Due to space constraints, this list only covers hearings scheduled for the next two months, and some company names have been abbreviated. For information on hearings scheduled later in the year, call (403) 297-8259. Actual hearing durations can vary significantly. Unless otherwise noted, hearings begin at 9:00 a.m. and are open to the public. If you are interested in attending one, please call the above number to reconfirm the date, time, and place.

| Scheduled Hearing Date | Application No. | Applicant | Hearing Purpose | Location |
|-----------------------------------|---------------------------|--|--|--|
| June 20 | 1060362 | Gauntlet Energy Corporation | Application to construct and operate a sour gas compressor station in Brazeau River Field | West Hall, 2nd floor, 640-5 Ave. SW, Calgary |
| June 22 | 1044287, 1064453 | Regent Resources Ltd. | Application for a licence to drill a sweet gas well and pipeline - Pendant D'Oreille field | Medicine Hat Lodge 1051 Ross Glen Drive SE, Medicine Hat |
| June 22 Pre-hearing | 2000136, 2000137 | ATCO Electric Ltd., TransAlta Utilities Corporation | DT-2001-200X distribution tariff applications | EUB Utility Branch Office, 12 Floor, 10055 - 106th Street Edmonton |
| June 26 Pre-hearing | 2000132, 2000133, 2000134 | ATCO Electric Ltd., EPCOR Transmission Inc., TransAlta Utilities Corporation | Issue list for TFOT - 200X transmission facilities owner tariff applications | Govier Hall, 2nd floor, 640-5 Ave. SW, Calgary |
| June 27 | 2000135 | ESBI Alberta Ltd. | Approval of winning bids IBOC process - 500 MW | Govier Hall, 2nd floor, 640-5 Ave. SW, Calgary |
| July 13 | 1060918 | Mobil Oil Canada | Application for a licence to drill a horizontal non-critical sour gas well - Irricana | Govier Hall, 2nd floor, 640-5 Ave. SW, Calgary |
| July 17 Interim Hearing 1:30 p.m. | 2000136, 2000137 | ATCO Electric Ltd., TransAlta Utilities Corporation | DT - 2001 - 200X distribution tariff applications | EUB Utility Branch Office, 12 Floor, 10055 - 106th Street Edmonton |
| July 26 9:30 a.m. | 990616 | TransAlta Utilities Corporation | Temporary suspension of regulation application | Govier Hall, 2nd floor, 640-5 Ave. SW, Calgary |

Cancelled Hearings

| Date Cancelled | Application No. | Applicant | Hearing Purpose | Reason for Cancellation |
|----------------|-----------------|-----------------------------------|--|-------------------------|
| May 2 | 1039509 | Petrobank Energy & Resources Ltd. | Sour gas plant application - Pembina field | Application closed |

Pending Decisions

| Application No. | Applicant | Hearing Purpose | Hearing Date(s) | Actual Hearing Days |
|--|---|---|---------------------------|---------------------|
| 1040201, 1041048, 1041629, 1042292 | Avalanche Energy Limited | Section 43 review of application to drill sweet natural gas wells. Section 29 review of infill drilling for production of sweet gas | Jan 18 | 8 |
| 1052140 | Nycan Energy Corp. & Diaz Resources Ltd. | Nycan - Compulsory pooling - Enchant field | Apr 25-26 | 2 |
| 960313, 960314 | Cardinal River Coals Ltd. | Joint Review Panel hearing for Cheviot Coal Mine Project - Mountain Park area. EUB/Canadian Environmental Assessment Agency | March 1-10 April 25-27 | 11 |
| 1032550 | Petro-Canada Oil and Gas | MacKay River Thermal Project - Athabasca oil sands area | May 17-18 | 2 |
| 1044064, 1054047, 1060027, 1062886, 1063172, 1063841 | Burlington Resources Canada Ltd. | Applications to modify O'Chiese sweet gas plant at 6-25-10 W5 to include sour gas processing and associated sour gas gathering processing and associated sour gas gathering pipelines, acid gas pipeline, well licence, acid gas disposal scheme, and pipeline licence amendment. | May 25 | 1 |
| 980413 | CWNG | Phase I Second Refiling - 1998 General Rate Application | | |
| 980413 | CWNG | Phase II GRA - 1998 General Rate Application | Aug 3-13/99 | 9 |
| 2000167 | ATCO Electric Ltd. | Adjustment to transmission Charges | N/A | N/A |
| 2000051 | TransAlta Utilities Corporation | Sale of electric distribution system | May 23-Jun 2 | 9 |
| 980654, 980655 | Greg Justice, 693040 Alberta Ltd. & Marc Dame | Review of abandonment costs order No. ACO 98-1 | June 7-8 | 2 |
| 1056567, 1056568 | Union Pacific Resources Inc. | To construct and operate a sour gas compressor station and sour natural gas pipeline - Telfordville Field | June 6-8 | 3 |

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