

March 7, 2019

National Energy Board  
Suite 210, 517 Tenth Avenue SW  
Calgary, AB  
TSR 0A8

**Attention: Sheri Young, Secretary**

Dear Sir/Madam:

**File OF-Gen-06 FRR  
2133151 Alberta Ltd.  
Confirmation of Absolute Liability Limits  
Financial Resource Information**

On February 15, 2019, the National Energy Board (“**NEB**”) issued a notice to all pipeline companies regulated under the *National Energy Board Act* regarding the Draft Pipeline Financial Requirements Guidelines (“**Draft Guidelines**”), and Implementation of Financial Resource Requirements. In that notice, the NEB directed all companies, with the exception of major oil pipeline companies, to file with the NEB an assessment of their absolute liability limits, along with any supporting information, by March 8, 2019. The NEB further stipulated that March 8, 2019 would also serve as the deadline for submissions on the Draft Guidelines.

This letter constitutes the absolute liability limit assessment of 2133151 Alberta Ltd. (“**Campus Energy**”), for and on behalf of Suffield Processing Limited Partnership, and includes Campus Energy’s comments about the approach taken to gas pipelines in the Draft Guidelines.

**Company Overview**

Campus Energy is an energy infrastructure and supply company headquartered in Calgary, Alberta. Campus Energy’s energy infrastructure assets include natural gas transmission pipeline systems in Alberta and Saskatchewan, natural gas gathering and processing facilities in Alberta and Saskatchewan, a liquefied natural gas processing facility in British Columbia, and power peaking units in Alberta.

**Transmission Pipelines**

Campus Energy operates the following pipelines that are subject to the NEB’s authority (“**Pipelines**”):

- Loverna-Fusilier Pipeline (AO-1-XG-11-89);
- Sibbald-Hoosier Transfer Pipeline (AO-2-XG-5-64);
- Sibbald-Hoosier Riser Site (AO-1-XG-A096-12-2002);
- Suffield-Burstall Meter Station (AO-3-XG-A163-25-2001);
- Koomati Lateral Pipelines (AO-2-XG-A109-35-2003);
- South Suffield Pipeline (AO-2-GC-97); and

- North Suffield Pipeline (AO-2-GC-103).

All of the Pipelines operate in remote areas, outside of any large industrial, urban or populated areas, and all transport dry sweet natural gas. The areas surrounding the Pipelines are used for agricultural purposes, with a mixture of cultivated and non-cultivated lands (i.e., primarily Crown-owned prairie grasslands). Further, the Pipelines are not located in forested environments. As a result, the risk of a significant wildfire is extremely remote.

This letter focuses on the Suffield Transmission Pipeline (“**Suffield Pipeline**”), since the Suffield Pipeline’s outside diameter and maximum operating pressure are the greatest of the Pipelines, and so it is the risk value attributed to the Suffield Pipeline that will determine Campus Energy’s absolute liability limit, and the corresponding amount of required financial resources.

The Suffield Pipeline is located in southeastern Alberta, and is used to transport dry sweet natural gas produced in and around the Suffield region to the TransCanada Pipelines mainline at Burstall, Saskatchewan. The Suffield Pipeline, constructed between 1998 and 2001, consists of two separate pipelines – the North Suffield Pipeline and the South Suffield Pipeline – and has a combined design capacity of 400 MMcf/d.

The North Suffield Pipeline consists of 96 km of 16” diameter pipe, whereas the South Suffield Pipeline consists of 19 km of 10” and 87 km of 16” diameter pipe. The Suffield Pipelines cross only one major body of water, the South Saskatchewan River,<sup>1</sup> and the only populated area in close proximity to the pipelines is the Canadian Forces Base Suffield (“**CFB Suffield**”) – a military training and research range controlled by the Department of Defense. Aside from the military base, as of 2018, there were only 15 individuals considered to reside within the Suffield Pipeline Emergency Planning Zone.<sup>2</sup> Furthermore, the closest urban centres to the Suffield Pipeline are Medicine Hat and the Town of Burstall, located at a distance from the pipelines of 7.5 km and 3.5 km respectively. Outside of CFB Suffield, the North Suffield Pipeline traverses 13.5 km of cultivated agricultural land, and 19.5 km of non-cultivated agricultural land, whereas the South Suffield Pipeline traverses 41 km of cultivated agricultural land, and 49 km of non-cultivated agricultural land.

### **Absolute Liability Limit Assessment**

Subsection 2(1) of the *Pipeline Financial Requirements Regulations*<sup>3</sup> (“**Regulations**”) establishes the absolute liability limits for pipelines authorized by the NEB.

The Regulations further stipulate that, for the purposes of determining the appropriate liability class for a gas pipeline, risk value is to be calculated by multiplying the square of the pipeline’s maximum

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<sup>1</sup> This is the only water crossing of any of the Pipelines.

<sup>2</sup> The Emergency Planning Zone for the Suffield Pipeline extends a minimum of 100 meters from the pipeline. Individuals are considered to reside within the zone if their residences are located within the zone, or if the egress route from their residences passes through the zone. Campus Energy is not aware of any individuals with residences actually located within the Suffield Pipeline Emergency Planning Zone.

<sup>3</sup> *Pipeline Financial Requirements Regulations*, SOR/2018-142.



outside diameter (measured in millimetres), by the pipeline’s maximum operating pressure (measured in megapascals).<sup>4</sup> In the event that a company operates two or more pipelines, the Regulations require the company to adhere to the risk value of the pipeline with the highest risk value.<sup>5</sup>

Pursuant to the risk value calculation method set out in the Regulations, and without prejudice to the comments and concerns raised in this letter or in any future correspondence, Campus Energy has calculated the risk value for the Suffield Pipeline as follows:

Pipeline	Outside Diameter (mm)	Maximum Operating Pressure (MPa)	Risk Value Calculation (O.D. mm) <sup>2</sup> * (MPa) = Risk Value
South Suffield Pipeline	406.4	8.45	(406.4) <sup>2</sup> * (8.45) = 1,395,610
North Suffield Pipeline	406.4	8.45	(406.4) <sup>2</sup> * (8.45) = 1,395,610

On the basis of the foregoing calculation, the absolute liability limit attributed to Campus Energy pursuant to the Regulations is \$200,000,000.

### **Absolute Liability Regime Objectives Must be Respected**

For the reasons set out below, Campus Energy respectfully submits that a strict application of the risk value calculation method, as per the Regulations, to the Suffield Pipeline results in a grossly over-inflated characterization of the costs that could result from an unintended or uncontrolled release from the Pipelines, and consequently imposes on Campus Energy an unfairly skewed absolute liability limit. Campus Energy further submits that such a strict application of the risk value calculation method is inconsistent with the objectives and rationale that the government has provided for the absolute liability regime.

As explained in the Regulatory Impact Analysis Statement (“RIAS”) to the notice published in the Canada Gazette on June 25, 2018, the objectives of the Regulations are to:

- support the establishment of the “no-fault” absolute liability regime for companies operating federally regulated pipelines;
- ensure pipeline companies are adequately prepared to cover response, remediation costs, and liability claims, in the event of an unintended or uncontrolled release from their pipelines; and
- ensure that liability and financial resource requirements for pipeline operators are commensurate with the risks associated with their respective operations.<sup>6</sup>

<sup>4</sup> Regulations at s.2(2).

<sup>5</sup> Regulations at s.2(2).

Campus Energy submits that a strict application of the risk value calculation method to the Pipelines obscures and ignores significant factors and considerations that, when acknowledged, lead to the conclusion that a liability limit, and financial resource requirements amount, of \$200,000,000 is in no way commensurate with the risks associated with the operation of the Pipelines.

As indicated above, the Pipelines operate in remote locations outside of any large industrial, urban or populated areas, a consideration that the government expressly acknowledged in the RIAS as relevant to the risk posed by natural gas releases:

“The relationship between pipeline diameter, pipeline operating pressure, and the proximity to a populated area is considered the primary factor in a natural gas pipeline incident.”

Furthermore, an analysis of the statistical data published by the NEB relating to pipeline incidents<sup>7</sup> that occurred between December 2008 and September 2018 indicates that the risk posed by natural gas pipelines is quite remote.<sup>8</sup> According to the NEB’s data, of the incidents that occurred from 2008 to 2018 involving sweet natural gas, only 6% of those incidents were considered to be significant, only 3% were found to have had a residual effect on the environment, none of the incidents resulted in fatalities, only 0.4% resulted in any injuries, and only 2.6% had any effect on private property.

In 2015, Global Incident Command Solutions (“GICS”) prepared a Hazard, Risk, Vulnerability, and Capability Assessment hazard report (“Report”) in respect of the Suffield Pipeline. The purpose of the Report was to identify the emergency situations that were likely to arise in connection with the operation of the Suffield Pipeline. This analysis involved the assignment of a risk value to potential hazards, where the level of risk was calculated based on the likelihood of the occurrence of the potential hazards, along with the severity of the results of such hazards. The four risk categories into which potential hazards could fall as a result of this analysis were: critical; high; moderate; and low. GICS found no critical or high level risks relating to the Suffield Pipeline. Furthermore, the risk of a pipeline rupture and the risk of a gas release were each found to be low level risks. These findings are consistent with the level of risk attributable to the rest of the Pipelines.

Campus Energy further submits that the NEB’s decision to utilize only three broad categories for the purposes of characterizing the commodities passing through authorized pipelines results in risk assessments that are insufficiently sensitive to salient differences between types of natural gas. For instance, the NEB’s approach does not take into consideration the significantly different risks associated with operating a pipeline that is carrying dry sweet natural gas, and operating a pipeline that is carrying sour wet natural gas. The NEB has published information that it has gathered regarding

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<sup>6</sup> Canada Gazette, June 25, 2018, Regulatory Impact Analysis Statement to the *Pipeline Financial Requirement Regulations*.

<sup>7</sup> “Incident” is understood to mean an occurrence that results in: (a) the death of or serious injury to a person; (b) a significant adverse effect on the environment; (c) an unintended fire or explosion; (d) an unintended or uncontrolled release of LVP hydrocarbons in excess of 1.5 m<sup>3</sup>; (e) an unintended or uncontrolled release of gas or HVP hydrocarbons; or (f) the operation of a pipeline beyond its design limits, or any operating limits imposed by the NEB. See s.1 of the *National Energy Board Onshore Pipeline Regulations*, SOR/99-294.

<sup>8</sup> Available online: [Pipeline Incident Data - Open Government Portal](#).



pipeline ruptures from the present back to 1992.<sup>9</sup> According to that information, there have been only 36 ruptures of NEB authorized pipelines over the last 26 years, and the majority of ruptures involving gas pipelines did not result in ignition, with the gas instead being released into the atmosphere – an incident type requiring little in the way of clean-up costs, especially where, as with the Pipelines, there are few if any nearby urban centres or populated areas. Our risk experts (Iridium Risk Services Inc.) have advised that in a sparsely populated area, financial impact from a dry sweet natural gas pipeline would not likely exceed \$20,000,000. This is particularly true given that the Pipelines are not located in forested environments, which mitigates the risk of a significant wildfire.

Similarly, in the course of presenting testimony to the Standing Committee on Natural Resources in relation to the *Pipeline Safety Act*<sup>10</sup>, Jeff Labonté – then Director General of the NEB’s Energy Safety and Security Branch – testified on March 24, 2015 that the highest cleanup costs related to a spill in Canada was \$70,000,000, with the Canadian average being \$3,700,000.<sup>11</sup> Campus Energy respectfully submits that an absolute liability limit of \$200,000,000 in respect of the Pipelines is unreasonable when viewed in relation to these figures, and that such a comparison can lead to no other conclusion than that an absolute liability limit of \$200,000,000 is in no way commensurate with the risks associated with the Suffield Pipelines, or the Pipelines more generally.

Based on all of the foregoing, and in light of the low risk posed by the Pipelines in particular, and dry sweet natural gas transmission pipelines more generally, Campus Energy respectfully asks the NEB to reconsider its decision to exclude proximity to populated areas from the risk value calculation for gas transmission pipelines, and to carry through on the commitment made by the NEB in the RIAS<sup>12</sup> to determine a company’s absolute liability class on the basis of “the facts of each case”. Campus Energy is confident that a more realistic assessment of the risk value for the Pipelines would better align with the government’s objectives in establishing the absolute liability regime, and with the polluter pays principle.

Yours very truly,



Jeremy Baines,  
President & CEO

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<sup>9</sup> Available online: [NEB - Pipeline Ruptures](#)

<sup>10</sup> *Pipeline Safety Act*, S.C. 2015, c.21

<sup>11</sup> The transcript of the Standing Committee on Natural Resources meeting held March 24, 2015 is available online: [Evidence - RNNR \(41-2\) - No. 51 - House of Commons of Canada](#)

<sup>12</sup> As well as in the RIAS to the original notice published in the Canada Gazette on October 8, 2016 when the Regulations were first enacted.