



**Edmonton (Twin Atria)**  
2nd Floor, Twin Atria Building  
4999 – 98 Avenue  
Edmonton, Alberta T6B 2X3  
Canada

BY E-MAIL ONLY

February 27, 2019

tel 780-638-4491  
fax 780-442-1459

[www.aer.ca](http://www.aer.ca)

SemCAMS ULC

**Re: Pembina Gas Services Ltd.**  
**Applications No. 001-00422581 and 1914617 (the Applications)**  
**Statement of Concern No. 31374**

Dear Sir/Madam:

You are receiving this letter because you filed a statement of concern on behalf of SemCAMS in respect of the Applications. The Alberta Energy Regulator (AER) has reviewed the statement of concern, along with the Applications, and all applicable requirements and other submissions or information about the Applications. The AER has decided that a hearing is not required to consider the concerns outlined in the statement of concern.

In its review of SemCAMS' concerns, we considered the following:

- In its statement of concern, SemCAMS states that the close proximity between SemCAMS' Wapiti and Pipestone Central plants (the SemCAMS Plants) and the project creates the potential for unnecessary proliferation of sour gas facilities in the area, may result in the overlap of infrastructure, and impact efficient utilization of the SemCAMS' Plants. SemCAMS also states that the sulphur recovery unit (SRU) at its Kaybob South #3 plant (K3 Plant) has unutilized capacity and that existing pipelines in the area could be used to transfer acid gas to a licensed existing SRU.
- The issue of proliferation is addressed through the AER's proliferation policy as set out in *Directive 056: Energy Development Applications and Schedules* and *Interim Directive 2001-3: Sulphur Recovery Guidelines for the Province of Alberta (ID 2001-3)*. The project is located approximately 24 km away from the SemCAMS Wapiti plant located at 7-35-67-07W6M, and 21 km away from the SemCAMS Pipestone Central plant located at 12-17-070-08W6M. *ID 2001-3* requires Pembina to assess whether the SemCAMS Plants represent economically and environmentally feasible alternatives to the project beyond the 15 km study area.
- Pembina's Proliferation Study indicates that anticipated sour gas production in the project area will exceed existing and proposed processing capacity (including the SemCAMS Plants) in the area by 2020-2021.
- With respect to utilization of the SemCAMS Plants, the AER notes the following:

- in a December 13, 2018 press release, SemCAMS announced that it had entered into a long-term processing agreement that “effectively fills SemCAMS Wapiti Gas Plant”;
  - Pembina’s Proliferation Study states that there is no known processing capacity available at the SemCAMS Pipestone Central Plant, which, once complete, will transport acid gas to the K3 Plant SRU utilizing the existing AGT pipeline system that is also connected to the SemCAMS Wapiti Plant; and
  - Pembina’s February 15, 2019 response to AER SIR #1 highlights that while there may be excess SRU capacity at the K3 Plant, the current functional capacity and reliability of the SRU are unknown, and the AGT pipeline is nearly full and will require expansion in order to accommodate additional acid gas.
- Accordingly, one or both of the SemCAMS Plants will need to be expanded to accommodate the additional sour gas production contemplated by the project. Given that the AGT pipeline system is nearly full, and will be full once the SemCAMS Pipestone plant comes online, expanding one or both of the SemCAMS Plants would necessitate further pipeline expansions to enable acid gas to be transferred to the K3 Plant SRU, which is more than 100 km from the SemCAMS Plants and may require expansion itself. Expanding the AGT system as SemCAMS has suggested (i.e. looping the pipeline, building additional compression etc.) would entail significant additional environmental and social impacts.
  - The environmental and social impacts of the project are minimized as a result of, among other things, its close proximity to producer pipelines and wells and onsite sulphur recovery, which eliminates the need to transfer and process acid gas offsite.
  - As a result, the SemCAMS Plants are not economically and environmentally feasible alternatives to the project beyond the 15 km study area specified in *ID 2001-3*.
  - The AER notes SemCAMS’ concern regarding overlap of infrastructure. However, the significant additional environmental and social impacts that would result from expanding the SemCAMS Plants, the AGT system and potentially the K3 Plant SRU outweigh the risk posed by any potential overlap of infrastructure caused by the project.

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Based on the above, the AER considers that the objections raised in your statement of concern have been adequately addressed. The AER has concluded that it is not necessary to hold a hearing before making a decision on the Applications. The AER has not yet made a decision on the Applications and you will be notified when that decision is made. If a hearing on the Applications is to be held for another reason, a notice of hearing will be published.

All AER- regulated parties must comply not only with the conditions of their authorizations, but with all of the AER’s regulatory requirements. To ensure industry compliance the AER has developed its *Integrated Compliance Assurance Framework*, which embodies the three main components of all effective compliance assurance programs, those being education, prevention, and enforcement. You can find out more about how the AER verifies industry compliance and responds to noncompliance here: <https://aer.ca/regulating-development/compliance/compliance-assurance-program>.

You may file a regulatory appeal on the AER's decision if you meet the criteria within section 36 of the *Responsible Energy Development Act*. Filing instructions and forms are on our website under Regulatory Appeal Process.

If you have any questions, contact Brittney Goudreau at 780-641-9038 or by e-mail [Brittney.Goudreau@aer.ca](mailto:Brittney.Goudreau@aer.ca) .

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Sincerely,

<Original Signed By>

Rob Cruickshank  
Director, Business Process, Authorizations

cc: Brett Dawson, Pembina Gas Services Ltd.  
AER SOC Assessor  
AER Grande Prairie Field Centre