

March 1, 2017

Kanata Energy Group Ltd.

**Attention: Michael Dever, P.Eng., Vice President Operations**

Dear Sir:

**RE: Confidentiality Request – section 49 of the *AER Rules of Practice*  
Request for Regulatory Appeal by Kanata Energy Group (Kanata)  
*Directive 006: Licensee Liability Rating (LLR) Program and Licence Transfer Process*  
Netback Review**

This letter will respond to Kanata's request for a confidentiality order under s. 49 of the *Alberta Energy Regulator Rules of Practice* ("Rules"), made in your letter dated February 10, 2017 that was delivered to the Alberta Energy Regulator ("AER") concurrent with your request for a regulatory appeal. The AER has considered your request and has decided to grant a confidentiality order in relation to certain of the information provided with your request for a regulatory appeal, on the terms listed in the numbered paragraphs below. In making this decision the AER has also considered the decision reflected in the AER's letter dated February 28, 2017, whereby Kanata's request for a regulatory appeal was not accepted by the AER.

#### Reasons

Section 49 of the Rules permits the AER to grant a request for confidentiality on any terms it considers appropriate if certain requirements are met. In this case, Kanata's request for confidentiality relates to numerical information that is or may reveal production and financial data that is specific to Kanata's operations at the Simonette Gas Plant. When that information is received by the AER for the purposes of conducting a Liability Management Rating, it is accepted in confidence by the AER as provided in *Directive 006: Licensee Liability Rating (LLR) Program and Licence Transfer Process*:

#### 8.2 Confidentiality

The AER will hold as confidential the information submitted to or acquired by the AER for the purpose of conducting an LMR assessment. The AER will post only the licensee's security-adjusted LMR on its website.

The information for which Kanata has requested a confidentiality order is, in essence, the same information that is protected from public disclosure under *Directive 006*. The AER considers that such information falls within s. 49(4)(b) of the Rules, namely:

- (b) [that] the information is commercial, financial, scientific or technical in nature and the Regulator is of the opinion that disclosure of the information on the public record of the proceeding could reasonably be expected
  - (i) to cause significant harm to the competitive position of a party, or
  - (ii) to result in undue financial loss or gain to any person or organization.

As a result, the AER has decided to make a confidentiality order on the terms listed in the numbered paragraphs below.

### Terms of the Order

Section 49(2) of the Rules states that a request for a confidentiality order should be made before a party files the information in question with the AER. The reason the rule is stated this way is so that the party making the confidentiality request maintains the ability to not file sensitive information with the AER until the party knows whether the AER will grant a confidentiality order, and in that case on what terms. In this instance, Kanata filed the confidentiality request at the same time it filed the information in question as part of its regulatory appeal request. By doing this, Kanata could have given up the right to maintain the confidentiality of information that it was not prepared to have placed on the public record under any circumstances.

The AER has decided, however, that it can grant the confidentiality requested by Kanata. This is so because the AER has found that the information in question falls within s. 49(4)(b) of the Rules, and because it is apparent from reading the AER's decision not to accept Kanata's regulatory appeal request that such information (i.e., the numerical production and financial data) was not needed or relied on by the AER when it made its decision on the request. The AER can therefore protect Kanata's information from a public disclosure that may unfairly prejudice Kanata's business interests without compromising the record of how the AER handled Kanata's request for a regulatory appeal.

The AER therefore grants a confidentiality order under section 49 of the Rules, as follows:

1. For each of the following documents submitted by Kanata as part of its regulatory appeal request, the AER will redact Kanata's numerical production and financial information as indicated in the copy of each document appended to this letter. The redacted documents are:
  - undated email message from Mike Dever to Liability Management, with subject line "KANATA Nonproducer Licensee – Netback Calculation";
  - Facility Netback Calculation Form (three pages), signed by Mike Dever;
  - Letter from April Wynne-Chesniak to Mike Dever, dated January 6, 2017;
  - email message from Rose Liu-Adam to Mike Dever, dated January 11, 2017, and Mike Dever's message in reply;
  - Letter from Mike Dever to April Wynne-Chesniak, dated January 30, 2017;
  - Letter from April Wynne-Chesniak to Mike Dever, dated February 3, 2017; and
  - Letter from Mike Dever to AER Regulatory Appeals Coordinator, dated February 10, 2017 (the regulatory appeal request letter).
2. The redacted documents will be retained by the AER as its official record of Kanata's regulatory appeal request. All AER staff, including LMG personnel, having custody or control of unredacted versions of the documents that were provided in relation to Kanata's regulatory appeal request will be instructed to securely destroy those versions. In the result, only the redacted versions will remain in the AER's custody or control.
3. This order does not apply to versions of the documents that were provided to the AER prior to Kanata making its regulatory appeal request. In other words, AER staff who obtained unredacted versions of the documents prior to February 10, 2017 (we assume for purposes related to Directive 006) will not be required to destroy or redact those versions of the documents.

inquiries 1-855-297-8311  
24-hour  
emergency 1-800-222-6514

If you have any questions in relation to this confidentiality decision, please contact the AER's Regulatory Appeals Coordinator, Helen Bowker, at [Helen.Bowker@aer.ca](mailto:Helen.Bowker@aer.ca).

Yours truly,

<original signed by>

**Gary Perkins**  
Associate General Counsel