

ALBERTA ENERGY AND UTILITIES BOARD

Calgary Alberta

**PRE-HEARING MEETING
SHELL CANADA LIMITED**

**Memorandum of Decision
Application No. 960230**

1 INTRODUCTION

Shell Canada Limited (Shell) applied to the Alberta Energy and Utilities Board (EUB) for approval to amend the Shell Caroline gas plant Approval No. 6319A. The plant is located in Sections 34 and 35-34-6 W5M (Caroline Complex). This development was the subject of a public hearing in April and May 1990, following which the Board issued its decision in ERCB Decision Report D 90-8 in August 1990.

In February 1996, Shell applied to increase the Caroline facility's throughput after completing a significant plant turnaround in September 1995, followed by a plant performance test.

A summary of the Caroline plant's currently approved rates and the increased rates that Shell has applied for is shown in Table 1 attached.

In response to a number of letters expressing concern with Application No. 960230, the Board directed that Shell's application be considered at a public hearing. The Board held a pre-hearing meeting in Caroline, Alberta to hear representations on outstanding concerns, timing and location of a hearing, and to identify issues which should be considered at the hearing. The pre-hearing meeting was held on 11 June 1996 before Board Members F. J. Mink, P.Eng., J. D. Dilay, P.Eng., and G. J. Miller. Those who appeared at the meeting are listed in Table 2 attached.

Shell stated that the increased throughput would result in an increase of sulphur dioxide (SO₂) emissions of about 2.5 (t/d) from the incinerator stack. Shell further stated that the plant's total SO₂ emissions, including the proposed increase, would still be well below the maximum daily level of 45 t/d which is stipulated in the Caroline plant's air approval issued by Alberta Environmental Protection.

Shell stated that all increases in products, including sales gas, pentanes plus, C₂+ mix, and liquid sulphur, would be accommodated within the existing infrastructure and no expansion of these facilities would be required.

2 TIMING FOR A HEARING, LOCATION, AND DEADLINE DATES FOR INTERVENTIONS

Shell argued that a hearing on its application to change its throughput was not necessary since the effect of the change allowed the plant to operate within the terms and conditions of the original approval.

Shell said that, if it is determined by the Board that a hearing is necessary, it should be restricted to matters pertaining to the incremental plant throughput it has applied for. It added such matters could be addressed and the hearing completed in 3 days. It suggested the hearing be held from 24 to 26 June 1996 inclusive.

Several individual interveners and resident groups whose members live in proximity to Shell's Caroline facilities requested that the hearing be held in the fall of 1996 after they had completed harvesting operations.

Federated Pipe Lines Ltd. proposed that interventions be filed not less than 14 days prior to the commencement of any hearing. There were no other specific suggestions about the deadline for filing of interventions.

All parties agreed the hearing should be held in Caroline.

3 SCOPE OF THE HEARING

Shell said that the Board should set a limited scope for the hearing, with the focus being the potential impacts that may occur from the processing of the incremental volumes of plant feedstock and inlet sulphur proposed in its application.

The majority of the interveners expressed concern about the incremental SO₂ emissions that would occur from Shell's larger raw gas and sulphur inlet rates. Many of the individuals and groups indicated they were already being affected by the emissions from Shell's current plant throughput rate and they argued Shell's application should not be granted before current operating problems were rectified and current impacts minimized. The interveners listed a number of concerns about Shell's current operations including fugitive odours from its condensate storage and handling facilities at the Rangeland terminal north of Sundre. Others made reference to the flowline leak that occurred on 6 January 1994 between Shell's Junction 1 of its gas gathering system and its South Compressor Station. They argued that there were negative impacts in the region as a result of the leak. The interveners said that any increase in plant throughput would exacerbate the situation and therefore opposed Shell's application.

Some interveners indicated they wished there was an alternative to the hearing process to have the operational matters addressed; however, they did not identify any specific alternative forums they would prefer.

Altana intervened against Shell's application stating that Shell's proposed increase in plant throughput must include the Altana sour gas volumes which it said was specified in Shell's 1992 letter to Altana. Shell argued that Altana's issues relate to business arrangements between the two companies and that it should not be considered by the Board at a hearing.

4 VIEWS OF THE BOARD

The Board has considered all of the comments of the participants and it is satisfied that a public hearing is necessary to address Shell's application. The Board believes the scope of the hearing should be limited to the possible impacts that may occur from the processing of the incremental raw inlet gas and sulphur.

Given that scope, the Board believes that a hearing date of 22 July 1996 is appropriate. Parties will be requested to file interventions by 15 July 1996. The location of the hearing will be the Kurt Browning Arena Hall in Caroline, Alberta.

Notwithstanding the limited scope of the hearing, the Board accepts the need to address many of the other public concerns about the general operation of the Caroline facility. The Board proposes to use a written interrogatory process to identify these concerns and Shell's response to them. Accordingly, the Board will invite all interested parties to file a full list of issues and concerns related to the commercial operation and commitments made in the original application with the Board by 2 August 1996. Upon review, the Board will require Shell to prepare a response by identifying the status of its operation related to the concerns and any remediation program that addresses the issues. The Board expects that a reasonable time to prepare a response should be within 1 month of receipt of the issues. The Board will review Shell's reply and provide interested parties time to comment as appropriate. The forum and timing of public input will be determined after consultation with all affected parties, but is likely to be held in the fall of 1996.

With respect to the Shell pipeline leak which occurred on 6 January 1994, a review of the circumstances of the leak and the necessary remediation program was carried out with participation of the community, affected departments, and the Board. A final report on the incident and recommendations for change was filed with the Board after public briefings in the community. The Board received comments from community representatives on the program and was satisfied with the response. This report is available on the public record and the Board sees little merit to reconsider the issue.

The Board does recognize some ongoing concerns within the community about potential health effects on animals due to oil and gas operations in general. The Board considers this to be a generic issue in Alberta which would include plants such as the Caroline facility. The Board is aware that this broad issue is presently being reviewed by the Alberta Cattle Commission and understands that the results will be available soon. Accordingly, the Board does not intend to receive evidence or consider site specific effects on cattle as part of the upcoming hearing or in the additional process to follow up on concerns about the operation of the Caroline facility. It will rely on the findings of the Alberta Cattle Commission study as a catalyst for ongoing work,

and will work with the other parties to address the concerns raised by the findings. The Board believes that this approach will be more effective and appropriate than considering it in the context of only one plant.

5 INTERVENER FUNDING

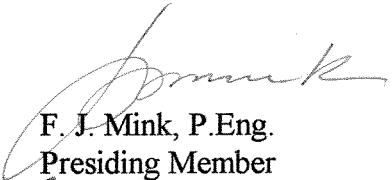
Eligibility for intervener funding with respect to the hearing will be subject to the Local Interveners' Costs Regulations under the Energy Resources Conservation Act. As a rule, individuals or groups residing within the emergency planning zone of the plant would be deemed to be eligible for costs.

The Board does not intend to award costs for the investigation of complaints of the commercial operation of the plant. The Board notes that as a consequence of the original approval for the plant, Shell has established an extensive framework of forums to monitor and address issues of concern to the community. The Board understands that for the most part these committees have been effective. Should the Board find during the investigation that issues of concern can be addressed through the various consultation forums established and funded by Shell in the area, it is prepared to seek and receive the advice of these existing committees on the resolution of those issues.

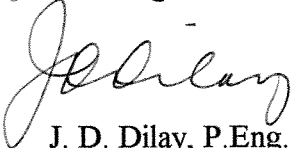
The Board will be issuing a Notice of Hearing for Application No. 960230 very shortly.

DATED at Calgary, Alberta, on 27 June 1996.

ALBERTA ENERGY AND UTILITIES BOARD



F. J. Mink, P.Eng.
Presiding Member



J. D. Dilay, P.Eng.
Board Member

G. J. Miller *
Board Member

* Mr. Miller was unavailable for signature but concurs with the contents and with the issuing of this report.

TABLE 1 SHELL CAROLINE GAS PLANT RATES

Operating Parameter	Current Approval	Requested Rate
1. Raw feed inlet rate (10 ³ m ³ /d)*	9435	10 850
2. Sulphur inlet rate (t/d)**	4513	5 450
3. Sales gas rate (10 ³ m ³ /d)	2709	3 580
4. Pentanes plus production (m ³ /d)***	3050	4 235
5. C ₂ + mix (natural gas liquids (m ³ /d))	4896	5 460
6. Molten sulphur (t/d)	4501	5 445
7. Approved sulphur recovery (%)	99.8	99.8
8. Minimum quarterly recovery (%)	99.5	99.5
9. Approved maximum daily SO ₂ emission rate (t/d)	45	45
10. Approved maximum one-hour SO ₂ emission rate (t/d)	2.63	2.63
11. Actual average daily SO ₂ emission rate in 1995 and Shell's projected emission (t/d)	10.2	12.5

* thousand cubic metres per day

** tonnes per day

*** cubic metres per day

TABLE 2 THOSE WHO APPEARED AT THE PRE-HEARING MEETING

Participants	Representatives
Shell Canada Limited (Shell)	R. B. Low S.H.T. Denstedt
Mountain View Land Holders Group	M. Sihlis
The Eagle Valley Community	J. Macklin L. and S. Roth R. J. Watson
Federated Pipe Lines Ltd.	R. M. Perrin
W. and I. Johnston Dr. M. Kostuch	H. Locke A. Harvie
Altana Exploration Company (Altana)	R. Waymouth
Individuals	
J. Macklin	
L. and S. Roth	
G. and C. Kelley	
D. G. Jones	
J. Hermann	
R. J. Watson	
Alberta Energy and Utilities Board staff	
M. Semchuck, C.E.T.	
J. Spangelo, P.Eng.	
R. Creasey, P.Biol.	

L. McLeod of McLeod Charolais, W. Lucey of the Confederation of Regions Party, L. and E. Paget, and J. Locke filed interventions in response to the notice but did not appear at the pre-hearing meeting.