

Via Email

June 23, 2017

Mike and Faye Partsch

Calgary Head Office
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Calgary, Alberta T2P 0R4
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Dear Sir and Madam:

**RE: Request for Regulatory Appeal by Mike and Faye Partsch
Tidewater Midstream and Infrastructure Ltd.
Application No.: 1823491 (License F48965); 1839269 (License 57708)
Application No.: 1876945 (Directive 051 Gas Injection Approval for Licence 0124064)
Application No.: 1858587 (Transfer of Gas Storage Approval 12203A)
Location: 08-25-071-07W6M; 02-35-071-07W6M
Regulatory Appeal No. 1849417, 1859627, 1879309 (Regulatory Appeal)**

The Alberta Energy Regulator (AER) has considered your requests under section 38 of the *Responsible Energy Development Act (REDA)* for a regulatory appeal of the AER's decision to approve the Licences. The AER has reviewed your submissions and the submissions made by Tidewater Midstream and Infrastructure Ltd (Tidewater).

The applicable provision of *REDA* in regard to regulatory appeals, section 38, states:

38(1) An eligible person may request a regulatory appeal of an appealable decision by filing a request for regulatory appeal with the Regulator in accordance with the rules. [emphasis added]

The term "eligible person" is defined in section 36(b)(ii) of *REDA* to include:

a person who is directly and adversely affected by a decision made under an energy resource enactment, if that decision was made without a hearing.

For the reasons that follow, the AER has decided that you are not directly and adversely affected by a decision made under an energy resource enactment and are therefore not eligible to request a regulatory appeal in this matter. Therefore, the requests for a Regulatory Appeal are dismissed.

Reasons for Decision

In your regulatory appeal requests, your primary concerns are with safety in the event of an incident relating to Tidewater's gas injection and storage operations.

At the outset, the AER notes that the concerns you have raised and the impacts you have alleged the same as or similar to those raised previously in statements of concern filed by you with respect to the initial facility and pipeline applications filed by Tidewater (1823491 and 1839269).. In its written response to your statements of concern, the AER found that you would not be directly and adversely affected by the applications, which have now been approved. Reasons were provided for this finding, and you have provided very little additional information to support that you are or may be directly and adversely affected by the decisions.

Regarding your request for a regulatory appeal of pipeline Licence 57708, your main concern is that the pipeline will rupture, leading to a release or explosion. As indicated in the AER's letter to you dated December 10, 2015 in response to your statement of concern, Tidewater must comply with a number of operational requirements and technical specifications in the design, construction, and operation of its pipeline. Tidewater will also use Supervisory Control and Data Acquisition equipment to provide 24 hour a day monitoring of the pipeline for possible leaks or ruptures. The pipeline will have emergency shutdown valves and pressure control devices which will activate in the event of a change in pressure. Please also note that the pipeline has recently been amended to account for lower operating pressure and a smaller diameter of pipe. Given the above, the distance of the nearest boundary of your lands to the pipeline (approximately 450 meters away), and the fact that the pipeline will transport sweet natural gas, you have not demonstrated that you are or may be directly and adversely affected by the AER's decision to approve pipeline License 57708.

Your main concern about the gas storage facility and injection of gas into the underground reservoir is that these operations will result in a leak or explosion. You have cited examples of gas leaks and fires that have occurred at facilities in other jurisdictions in support of your view.

The examples of incidents you have provided are not relevant to the AER's consideration of whether you may be impacted by Tidewater's storage scheme and related facilities because these incidents relate to different operators in separate jurisdictions, operating under different requirements. The 2014 incident in Saskatchewan relates to a solution mined storage salt cavern at a pumping tank, which is different than storage of gas into a depleted naturally occurring gas reservoir. The incident in California appears to have been caused as a result of safety valves being intentionally removed and not replaced from a well that was drilled in 1953.

You also expressed concerns that gas injection into the reservoir may cause earthquakes which could break the well casings used to inject natural gas. The AER is not aware of any instances of induced seismic events occurring in the Dimsdale Paddy A reservoir, or this same formation elsewhere in Alberta. The AER notes that the reservoir pressure is very low, and that Tidewater's operations will not result in an exceedance of the initial reservoir pressure. . It is exceedingly unlikely that gas injection and storage in the Paddy Dimsdale A at or below original reservoir pressure would result in an earthquake that in turn leads to casing failure and a leak or explosion as you have suggested.

There are numerous reservoirs in Alberta currently operating under gas injection and storage approvals. The Dimsdale Paddy A Reservoir into which gas will be injected is approximately 1,300 meters below the surface. It is an approximately 10 m thick porous rock formation. Gas is injected and stored within the porous rock. Prior to being used for injection, natural gas had been produced from the reservoir. Prior to being depleted due to production, the original reservoir pressure was 10,485 kPa. Tidewater's storage approval prohibits the average reservoir pressure from exceeding the initial reservoir pressure, and limits the volume of gas that can be injected. The 2-35 well that has been approved for injection has met all Directive 051 requirements for injection operations, including requirements for well integrity. Further, injection at a well must not exceed the maximum wellhead injection pressure prescribed in Tidewater's scheme approval, determined through the Directive 065 application process.

The decision to approve an energy activity, including injection and storage of gas into an underground formation, assumes operational compliance with all AER requirements and approval conditions. Tidewater must operate in accordance with the terms and conditions of its approval as well as all AER operating requirements. It is a contravention of AER requirements to impact ground water sources due

to energy activities. Any such contravention would be subject to AER enforcement action, which may include suspension of operations and other remedial action. Given the nature and depth of the reservoir into which injection will occur, and the AER's numerous requirements which are protective of groundwater sources, it is very unlikely that your well water will be impacted.

You have also suggested that Tidewater's testing of your water well was not sufficient, and/or that there should have been additional tests by a third party, Tidewater has gone beyond AER requirements by committing to perform baseline and follow-up tests of your water. The AER expects that the follow-up water well tests will have been or will be performed and analyzed under the direction of a qualified professional registered with APEGA, and provided to water well owners as well the AER's Grande Prairie Field Center.

Your concerns about odours and noise were previously raised and addressed by the AER in its December 10, 2015 letter in response to your statement of concern. The AER reiterates that Tidewater has employed noise and odour reduction techniques and equipment at its facility and there are operational requirements with which Tidewater must comply that address such concerns.

For these reasons and the reasons previously stated, you have not demonstrated that you are or may be directly and adversely impacted by gas injection into the reservoir noise or odours.

Similarly, you have re-stated your concerns about impacts to property value but have provided no new information that might support your claim of impacts to your property value. The AER reiterates that you are approximately 1.2 km away from the facility site, and there is pre-existing oil and gas infrastructure located in similar proximity to your lands. In addition, Tidewater's pipeline will be buried underground.

Regarding your concerns about a lack of stakeholder engagement on behalf of Tidewater, as you are aware the AER has required Tidewater to bolster its participant engagement program, including requiring Tidewater to notify you of and file all future applications non-routinely if they relate to Tidewater's gas storage project. The AER is satisfied that since your regulatory appeals have been filed Tidewater has devoted additional time and effort towards addressing stakeholder concerns about its proposed gas storage project and related infrastructure. The AER has also recently advised that it expects Tidewater to bundle its individual applications wherever possible so that the AER can consider the applications, potential impacts, and statements of concern on a project basis. Tidewater's most recent applications have followed this process.

The AER notes that your statement of concern regarding Tidewater's Directive 051 application for gas injection at well licence 0124064 was not considered prior to approval due to an inadvertent technical error in the AER's processing of the application and your statement of concern. This processing error has been rectified on a go forward basis, and any deficiency in the process you have received has been remedied by the AER accepting your statement of concern as a regulatory appeal request. This has provided you with an opportunity to have your concerns about the approval considered by the AER. Your concerns about gas injection wells approved under the Directive 051 process are addressed above.

As you know, all of Terado Gas Storage Corp's (Terado) gas storage project approvals and licences have been transferred to Tidewater. It is not clear from your regulatory appeal request how the transfer of Gas Storage Approval 12203A from Terado to Tidewater has or might directly and adversely impacted you. The change in ownership does not change the need for Tidewater to comply with AER requirement or interfere with existing AER processes such as the regulatory appeal process.

You have also stated that no injection into the reservoir should be approved while active appeals are before the AER. Please note that filing a regulatory appeal request does not automatically stay or suspend an approval, and Tidewater is entitled to construct and operate in accordance with AER approvals and requirements. The AER wrote to you on March 8th and 10th, 2017, and advised you that the RA's would be considered because Tidewater had revoked its previous voluntary suspension of its operations. Regarding your concern about a lack of notification of the application for the initial Gas Storage Approval Scheme 12203A, this scheme was approved on January 2, 2014, in the name of Ranchwest Energy Inc. As the application was for subsurface scheme approval, AER requirements only required subsurface interest holders to be notified. As a landowner with known concerns about the gas storage project, Tidewater is and was required to notify you of all surface infrastructure applications. As you know, the AER also recently directed Tidewater to apply non-routinely for and notify you of all applications regarding its gas storage project, whether subsurface or surface related.

The AER finds that you have not demonstrated that you are or may be directly and adversely affected by the decision to issue the licences and approvals captioned above. Therefore, you are not an eligible person for the purposes of section 38(1) of REDA and the request for a regulatory appeal is dismissed.

Sincerely,

< original signed by >

K. Parks
Chief Geologist

< original signed by >

K. Fisher
Manager, Regulatory Effectiveness

< original signed by >

R. Marx
Director, Regulatory Development, Strategic Management

Cc: Tidewater