



Hammerhead Resources Inc.

Gold Creek Industrial System Designation

November 30, 2022

Alberta Utilities Commission

Decision 27771-D01-2022

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Proceeding 27771

Application 27771-A001

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1 Decision summary

1. In this decision, the Alberta Utilities Commission denies Hammerhead Resources Inc.'s application for an industrial system designation (ISD) because the electric system proposed to serve Hammerhead's facilities does not meet the criteria for an industrial system under Section 4(3)(a) of the *Hydro and Electric Energy Act*.

2 Introduction and background

2. Hammerhead owns and operates three oil battery facilities and an associated water storage facility (the facilities) in the Gold Creek area, which are located approximately 32 kilometres southeast of the city of Grande Prairie. Each of these four facilities is served by separate natural gas generators and are not connected to the Alberta Interconnected Electric System. Hammerhead proposed to connect the facilities to each other through construction of a 15-kilometre-long, 25-kilovolt distribution line, which would allow Hammerhead to utilize existing generation from one oil battery facility (Gold Creek 09-03) to power all four facilities and shutdown the remaining generators. Hammerhead requested that the electric system be designated as an industrial system.

3. Each facility has its own generation to power the on-site equipment. The existing generators previously qualified as being exempt from the requirement to file an application with the Commission for approval of the power plants. Table 1 lists the capabilities of the existing generators:

Table 1. Generators' capabilities serving the facilities operated by Hammerhead

| Generators | Capabilities |
|---|--------------------|
| Generator 1 at 09-03 oil battery facility | 1.3 megawatts (MW) |
| Generator 2 at 09-03 oil battery facility | 1.3 MW |
| Gensets at 11-12 oil battery facility | 2 @ 1.2 MW each |
| Gensets at 04-35 water storage facility | 2 @ 0.4 MW each |
| Gensets at 03-10 oil battery facility | 2 @ 0.32 MW each |

4. Hammerhead stated that the development and installation of the new electric system would cost approximately \$4 million. On the other hand, connecting the facilities to the Alberta Interconnected Electric System would require a new 40-kilometre-long transmission line and cost approximately \$63 million. In addition, Hammerhead asserted that connecting the facilities to the Alberta Interconnected Electric System instead of utilizing the proposed distribution line would also result in increased environmental effects.

3 Findings

5. The Commission must consider the ISD application taking into account the principles and criteria set out in Section 4 of the *Hydro and Electric Energy Act*. Section 4(2) lists the principles the Commission must consider. Section 4(3) sets out specific criteria for determining whether a project should be designated as an industrial system. Of note, the Commission may only designate an electric system as an industrial system under Section 4(1) if it is satisfied that all of the criteria under Section 4(3) have been met, or have been substantially met.¹

6. Section 4(3)(a) of the *Hydro and Electric Energy Act* is of particular relevance to the Commission's consideration of the application. This criterion requires the Commission to be satisfied that the electric system includes a generating unit located on the property of the one or more industrial operations it is intended to serve, that there is a high degree of integration of the electric system with one or more industrial operations the electric system forms part of and serves, and that there is a high degree of integration of the components of the industrial operations.

7. Hammerhead's four oil battery facilities are located at four different locations, which are separated by distances ranging from 800 metres to four kilometres. Each of the four facilities currently has its own generating assets to power the on-site equipment. Given this, the Commission finds that these facilities are not physically integrated, are not dependent on each other's operation, and do not involve any co-production of a useful by-product such as steam or heat for an industrial operation. Accordingly, the Commission is not satisfied that there is a high degree of integration of the components of Hammerhead's facilities such that they operate as an industrial system.

8. Given the application does not meet the requirements set out in Section 4(3)(a) of the *Hydro and Electric Energy Act*, it is not necessary for the Commission to analyze if the application meets other principles and criteria under Section 4 of the *Hydro and Electric Energy Act*.

4 Decision

9. The Commission is not satisfied that Hammerhead Resources Inc.'s application for an industrial system designation meets the requirements of Section 4(3)(a) of the *Hydro and Electric Energy Act* and denies the application.

Dated on November 30, 2022.

Alberta Utilities Commission

(original signed by)

Carolyn Dahl Rees
Chair

¹ See subsections 4(4) and 4(5) of the *Hydro and Electric Energy Act*, where the Commission may designate an industrial system where not every criterion is met, but all of the industrial operations are components of an integrated industrial process or where there is a significant efficiency increase as a result of the integration of the electric system with the industrial operations.