

MINUTES
MUNICIPAL DISTRICT OF PINCHER CREEK NO. 9
REGULAR COUNCIL MEETING
FEBRUARY 9, 2021

9383

The Regular Meeting of Council of the Municipal District of Pincher Creek No. 9 was held on Tuesday, February 9, 2021, at 1:00 pm, via GoToMeeting.

PRESENT Reeve Brian Hammond, Deputy Reeve Rick Lemire, Councillors Terry Yagos, Quentin Stevick and Bev Everts.

STAFF CAO Troy MacCulloch, Director of Development and Community Services Roland Milligan, Director of Finance Meghan Dobie, Director of Operations Aaron Benson and Executive Assistant Jessica McClelland.

Reeve Brian Hammond called the meeting to order, the time being 1:00 pm.

A. ADOPTION OF AGENDA

Councillor Quentin Stevick 21/068

Moved that the Council Agenda for February 9, 2021 be amended to include:

- Correspondence – Information :
 - g) Letter to Premier Kenney
Letter from the City of Medicine Hat
 - h) Letter to Premier Kenney
Letter from Cypress County
 - i) Letter to Highway 3 members
Email from South Grow administrator on EV Charging stations
 - j) Letter to Premier
Letter from Phil Burpee
 - k) Letter to Council
Letter from Phil Burpee
 - l) Letter to Council
Letter from Barbara Boyer
- New Business – Landfill Billing

And that the agenda be approved as amended.

Carried

B. PUBLIC HEARING BYLAW 1325-21 ROAD CLOSURE

1. Call to Order - Reeve Hammond called the public hearing to order at 1:00 pm.
2. Advertising requirement

Reeve Hammond advised that this Public Hearing had been advertised in accordance with Section 606 of the Municipal Government Act. This Public Hearing was advertised in the Shootin the Breeze on January 20, 2021 and January 27, 2021, as well as the MD website and MD Social Media pages

3. Purpose of the hearing

The purpose of this Public Hearing is to receive public input on proposed Bylaw No. 1325-21, which is to close to public travel and creating title to and disposing of land described as:

GOVERNMENT ROAD ALLOWANCE LYING ADJACENT TO
NW¼ SEC. 31, TWP. 7, RGE. 1, W5M AND SW ¼ SEC. 6, TWP. 8, RNG. 1, W5M
FORMING PART OF LOT I, BLOCK I, PLAN _____
CONTAINING 1.19 HECTARES (2.94 ACRES) MORE OR LESS
EXCEPTING THEREOUT ALL MINES AND MINERALS

Minutes
 Regular Council Meeting
 Municipal District of Pincher Creek No. 9
 February 9, 2021

3. Overview of Bylaw 1322-20

Director of Development and Community Services Roland Milligan gave an overview of Bylaw 1325-21

4. Presentations:

VERBAL:

Reeve Hammond asked if anyone in the audience wished to make a statement, none wanted to speak.

WRITTEN:

Reeve Hammond asked if any written submission had been received, none had been received.

5. Closing Comments

Reeve Hammond asked if Council has any further questions, there were no further questions.

6. Adjournment from Public Hearing

Reeve Hammond adjourned the public hearing, the time being 1:06 pm.

C. DELEGATIONS

a) Michael D. Sawyer – Hayduke Associates Ltd.

Michael Sawyer, of Hayduke & Associates Ltd., a Calgary based environmental and regulatory consulting company, attended the meeting at this time and presented information to Council on concerns regarding the sale of Shell to Pieidia Energy, his presentation is attached to and forming part of these minutes.

Shell representative Jennifer L’Heureux attended the meeting to hear the presentation, and will provide further information for Council from Shell for the next meeting to ensure Council is aware of Shell’s response to this issue.

Delegations left the meeting at this time, the time being 1:20 pm.

D. MINUTES

1. Committee Meeting Minutes

Councillor Bev Everts 21/069

Moved that the Minutes of the Committee Meeting on January 26, 2021 be approved as presented.

Carried

2. Council Meeting Minutes

Councillor Quentin Stevick 21/070

Moved that the Minutes of the Council Meeting on January 26, 2021 be approved as presented.

Carried

Minutes
 Regular Council Meeting
 Municipal District of Pincher Creek No. 9
 February 9, 2021

3. Special Council Meeting Minutes

Councillor Terry Yagos 21/071

Moved that the Minutes of the Special Council Meeting on January 29, 2021 be approved as presented.

Carried

4. Special Council Meeting Minutes

Councillor Terry Yagos 21/072

Moved that the Minutes of the Special Council Meeting on February 2, 2021 be approved as presented.

Carried

E. BUSINESS ARISING FROM THE MINUTES

a) Signed Joint Letter – Oldman River Basin Water Allocation Order

Councillor Bev Everts 21/073

Moved that the letter co-written by the MD of Pincher Creek and the MD of Ranchland regarding the Oldman River Basin Water Allocation Order be received as information.

Carried

F. UNFINISHED BUSINESS

a) Regional Economic Development Association (REDA) Letter

Councillor Bev Everts 21/074

Moved that the response letter from the Minister of Jobs, Economy and Innovation, regarding the Regional Economic Development Association, be received as information.

Carried

b) Municipality of Crowsnest Pass – Tourism Levy Update

Councillor Bev Everts 21/075

Moved that administration be directed to gather more information from neighboring Municipalities, in regards to the Southern Canadian Rockies DMO Strategy and tourism levy update.

Motion Lost

G. COMMITTEE REPORTS / DIVISIONAL CONCERNS

1. Councillor Quentin Stevick – Division 1

2. Councillor Rick Lemire – Division 2

a) Alberta Southwest

b) Pincher Creek Foundation

3. Councillor Bev Everts – Division 3

a) ORRSC

b) Agricultural Service Board

4. Reeve Brian Hammond - Division 4

a) Joint Health and Safety

b) Pincher Creek Foundation

Minutes
 Regular Council Meeting
 Municipal District of Pincher Creek No. 9
 February 9, 2021

- c) Pincher Creek Emergency Services Commission
 - d) Highway #3 Association
 - e) Mayors and Reeves
 - f) Crowsnest Pincher Creek Landfill Association
5. Councillor Terry Yagos – Division 5
- a) Pincher Creek Emergency Services Commission
 - b) Agricultural Service Board

Councillor Terry Yagos 21/076

Moved to accept the Committee Reports and information.

Carried

Public Works Superintendent Eric Blanchard attended the meeting at this time to discuss the call logs, and left the meeting at 2:20 pm.

H. ADMINISTRATION REPORTS

1. Operations

a) Operations Report

Councillor Rick Lemire 21/077

Moved that Council receive for information:

- Report from Director of Operations dated February 4, 2021
- Public Works Call logs, dated February 4, 2021
- Capital Budget Summary, dated February 4, 2021

Carried

2. Finance

3. Development and Community Services

a) Bylaw 1326-21 (Amending Land Use Bylaw 1289-18) Redesignation – Lundbreck Dog Park

Councillor Terry Yagos 21/078

Moved that Council give first reading to Bylaw 1326-21, being a Bylaw to amend Bylaw 1289-18 (being the Land Use Bylaw) as follows:

- Amend the Land Use District of Block 19, Plan 8111307, from “Urban Fringe - UF” to “Parks and Open Space - POS”;
- Amend the Land Use District of Lot 2, Block 18, Plan 8111307, from “Hamlet Transitional / Agricultural - HTA” to “Parks and Open Space - POS”;
- Expand the Hamlet of Lundbreck boundary to include Block 19, Plan 8111307;

The purpose of the bylaw is to allow for the development of a dog park, to clarify the zoning for Patton Park, and revise the Hamlet boundary;

AND FURTHER THAT the required public hearing by scheduled for March 9, 2021 at 1:00 pm.

Carried

Minutes
Regular Council Meeting
Municipal District of Pincher Creek No. 9
February 9, 2021

b) Agricultural Environmental Services Monthly Report

Councillor Terry Yagos 21/079

Moved that the Agricultural Environmental Services Monthly Report for January and February 2021 be received as information.

Carried

3. Finance

4. Municipal

a) Chief Administrative Officer Report

Councillor Rick Lemire 21/080

Moved that Council receive for information, the Chief Administrative Officer’s report for the period of January 27, 2021 to February 4, 2021.

Carried

b) Pincher Creek Foundation

Councillor Terry Yagos 21/081

Moved that the report on the Pincher Creek Foundation funding formula be tabled until the Council meeting on February 23, 2021 pending more information from administration.

Carried

I. CORRESPONDENCE

1. For Action

a) Letter from Avail Chartered Professional Accountant

Councillor Quentin Stevick 21/082

Moved that Reeve sign the letter from Avail Chartered Professional Accountants.

Carried

b) Universal Broadband Fund – TELUS Sites in Pincher Creek No. 9

Councillor Quentin Stevick 21/083

Moved that the MD of Pincher Creek sign the Universal Broadband Fund letter of support provided by TELUS to improve wireless service within the Municipality.

Carried

Minutes
 Regular Council Meeting
 Municipal District of Pincher Creek No. 9
 February 9, 2021

c) Reinstatement of the 1976 Coal Development Policy

Councillor Quentin Stevick 21/084

Moved that the information on the reinstatement of the 1976 Coal development policy be tabled until the meeting of February 23, 2021 pending further information from administration on what the reinstatement means for the MD of Pincher Creek and area.

Carried

d) Need for a Stronger Western Canadian Municipal Advocate

Councillor Bev Everts 21/085

Moved that a letter be sent to RMA (Rural Municipalities of Alberta) asking for their input on any need for stronger Western Canadian Municipal Advocacy in the FCM (Federation of Canadian Municipalities).

Carried

2. For Information

Councillor Quentin Stevick 21/086

Moved that the following be received as information:

- a) Uncollectable Property Taxes in the County of Stettler/Seniors Housing Requisitions
 - Letter from Stettler County
- b) Letter of Thanks – Coal Policy
 - Residents in the MD of Pincher Creek
- c) Letter to Premier Kenney - COVID-19 Restrictions
 - Letter from Mackenzie County
- d) Letter to Premier Kenney
 - Letter from MD of Spirit River
- e) Police Advisory Committee Notes
 - January 20, 2021
- f) Grant Specialist report
 - December 2020
- g) Letter to Premier Kenney
 - Letter from the City of Medicine Hat
- h) Letter to Premier Kenney
 - Letter from Cypress County
- i) Letter to Highway 3 members
 - Email from South Grow administrator on EV Charging stations
- j) Letter to Premier
 - Letter from Phil Burpee
- k) Letter to Council
 - Letter from Phil Burpee
- l) Letter to Council
 - Letter from Barbara Boyer

Carried

J. NEW BUSINESS

Minutes
 Regular Council Meeting
 Municipal District of Pincher Creek No. 9
 February 9, 2021

a) Landfill Billing

Councillor Quentin Stevick 21/087

Moved that after reviewing the Landfill billing structure, the current billing structure will remain in effect;

AND THAT Council welcomes input from any business or person in regards to the impact of the current Landfill billing structure.

Carried

K. CLOSED SESSION

Councillor Terry Yagos 21/088

Moved that Council move in to closed session to discuss the following, the time being 3:41 pm:

- a. Peer Review for Castle Mountain Parks Summary, 2019 - FOIP Section 19
- b. Temporary Standpipe in Beaver Mines/Upgrades to Standpipe in Pincher Creek and Cowley - FOIP Section 17
- c. ICF - Municipality of Crowsnest Pass - FOIP Section 17
- d. Road Closure and Purchase Request - FOIP Section 17
- e. Road Closure and Purchase Request - FOIP Section 17

Carried

Councillor Terry Yagos 21/089

Moved that Council open the Council meeting to the public, the time being 4:55 pm.

Carried

- a. Peer Review for Castle Mountain Parks Summary, 2019

Councillor Terry Yagos 21/090

Moved that the peer review for Castle Mountain Parks submitted to the Castle-Livingstone-Porcupine Hills Recreation Advisory Group, and the Council, be received as information.

Carried

- b. Temporary Standpipe in Beaver Mines/Upgrades to Standpipe in Pincher Creek and Cowley

Councillor Bev Everts 21/091

Moved that the information on the temporary standpipe be tabled until the meeting on February 23, 2021 pending further options.

Carried

- c. ICF - Municipality of Crowsnest Pass

Councillor Terry Yagos 21/092

Moved that Council approve the Intermunicipal Collaboration Framework (ICF) Agreement between the MD of Pincher Creek and the Municipality of Crowsnest Pass, which determines shared services and the related funding percentages as agreed within.

Carried

Minutes
 Regular Council Meeting
 Municipal District of Pincher Creek No. 9
 February 9, 2021

d. Road Closure and Purchase Request

Councillor Quentin Stevick 21/093

Moved that, as there is no benefit to the Municipality at this time, Council deny the road closure and purchase request for the E ½ 25-9-1 W5M.

Carried

e. Road Closure and Purchase Request

Councillor Rick Lemire 21/094

Moved that, as there is no benefit to the Municipality at this time, Council deny the road closure and purchase request for the road that borders SE 15-8-30 W4 and NE 15-8-30 W4.


Carried

L. ADJOURNMENT


Councillor Terry Yagos 21/095

Moved that Council adjourn the meeting, the time being 5:08 pm.

Carried



 REEVE



 CHIEF ADMINISTRATIVE OFFICER

Submission of Micheal Sawyer
Proposed sale of Shell Foothills Assets to Pieridae Energy

1. My name is Micheal Sawyer. I am the principal of Hayduke & Associates Ltd., a Calgary based environmental and regulatory consulting company. I have over 30 years professional environmental and regulatory experience and have participated in over 35 provincial, national and international regulatory hearings. The majority of my professional experience is with respect to the upstream oil and gas industry.
2. The purpose of my presentation is to alert the MD of Pincher Creek (hereafter “the MD”) to the economic and environmental risks to the MD and its ratepayers that may arise if a proposal by Shell Canada Limited (hereafter “Shell”) to sell its Waterton, Jumping Pound and Caroline sour gas fields (collectively “the Foothills Assets”) to a small and inexperienced junior oil and gas firm, Pieridae Energy (hereafter “Pieridae”), is successful.
3. Royal Dutch Shell, which owns Shell Canada Limited (hereafter “Shell”), is one of the largest integrated oil and gas companies in the World, and in Canada, with 2019 global net annual revenues of approximately \$352 Billion dollars¹.
4. Shell has profitably operated the Foothills Assets for the past 70 years. However, the Foothills Assets are currently mature or over mature and production has dramatically declined in recent years with overall production currently below 70 percent of the original production. Some fields, such as the Caroline field, are currently below 10 percent of the original production levels.
5. Additionally, Shell has accrued significant environmental and reclamation liabilities for the Foothills Assets, including sour gas plants, hundreds of sour gas well, thousands of kilometers of pipelines, various surface facilities, and thousands of hectares of surface reclamation liabilities (well sites, road allowances, pipeline R.O.W.s). While Shell has not made public the total environmental and reclamation liability for the Foothills Assets, conservative estimates put the environmental and reclamation liability at over \$2 Billion dollars.
6. In 2019 Shell proposed to sell its Foothills Assets to Pieridae. Numerous members of the public, land owners and other oil and gas producers submitted Statements of Concern to the Alberta Energy Regulator (hereafter “the AER”) raising concerns about Pieridae’s financial capability to meet its environmental and reclamation obligations and with respect to Pieridae’s lack of experience operating sour gas production facilities and the implications for public safety. In early 2020 the AER denied Shell’s application to sell the Foothills Assets to Pieridae.

¹ <https://reports.shell.com/annual-report/2019/consolidated-financial-statements/statement-of-income.php>

7. Hayduke & Associates Ltd. represented landowners in the 2019 AER regulatory proceeding with respect to Shell's proposed sale of the Foothills Assets to Pieridae.
8. By way of background, Pieridae has proposed to construct an LNG export facility in Nova Scotia. In order to successfully construct and operate that proposed LNG facility Pieridae will require a gas supply, new pipeline capacity connecting Alberta to Nova Scotia, the construction of the facility and markets for the proposed LNG.
9. An LNG plant the size that Pieridae has proposed would require ~\$15 Billion in capital expenditures to construct.
10. Pieridae's stated reason for wanting to acquire the Foothills Assets is to provide a gas supply for its LNG export scheme. However, the Foothills Assets are only producing 184 mmcf/day of natural gas whereas the LNG export scheme requires a minimum 800 mmcf/day of natural gas², a 77 percent shortfall in gas supply.
11. In order to achieve its minimum required gas supply Pieridae has stated that it intends to pursue aggressive upstream drilling of over 500 deep drilling targets to make up the current shortfall in gas supply. However this will require significant capital, ~\$14.7 Million per well³ or ~\$7.4 Billion in total. Drilling these sour gas wells also comes with significant regulatory and geological risks.
12. Pieridae does have an export sales agreement with Uniper, a German gas utility, but that contract is conditional on Pieridae making a Final Investment Decision by mid-2021 and that the gas supply cannot be fracked gas.
13. Pieridae has not completed engineering design and costing on the proposed LNG facility, a requirement before making a Final Investment Decision. Pieridae has missed three previous contractual deadlines to make a Final Investment Decision and I respectfully submit that it is likely they will miss the current deadline.
14. Pieridae has not publically disclosed the capital cost required to have a third party construct and operate the natural gas pipeline required to connect its western Canada gas supply to Nova Scotia but those costs are expected to be significant.
15. As of today Pieridae has not filed its annual report or financial statements for 2020. The following are based on Pieridae's public Q3 financial statements.
16. In Q3 Pieridae claims total assets of ~\$584 Million and total liabilities of \$534 Million. Pieridae has included a claimed ~\$478 Million in assets for the Foothills Assets as if the

² <https://pieridaenergy.com/mod/file/UploadFile/b3967a0e938dc2a6340e258630febd5a.pdf>, PDF Page 6

³ PSAC, 2015 Well Cost Study. [www.psc.ca > wp-content > uploads > wcs_sample PDF](http://www.psc.ca/wp-content/uploads/wcs_sample_PDF)

transfer of ownership has occurred when it has not. Additionally, Pieridae claims ~\$214 Million in term debt⁴

17. In Q3 Pieridae claims total revenues of ~\$197 Million, total expenses of \$252 Million for a Net Loss of \$55 Million.
18. To put the foregoing into context, Pieridae is listed on the TSX and its shares have declined in value from \$5.50 CDN two years ago to a low of \$0.12 CDN a few months ago. Pieridae is currently trading at approximately \$0.52 CDN. At current share price Pieridae's total shareholders' equity is less than ~\$82,000,000⁵.
19. Additionally, Pieridae's total capital requirements to complete its Goldboro LNG project and to cover the abandonment and reclamation costs for the Foothills assets have been estimated at approximately \$28 Billion dollars, a significant amount for a small struggling company.
20. With respect to the current Shell applications to sell its Foothills assets to Pieridae, Shell and/or Pieridae have not filed a required Site Specific Liability Assessments, or the Financial Ability/Capability Assessments with the AER as required by AER Directive 001. Additionally, Pieridae has not filed its 2020 Annual Report or its 2020 financial statements.
21. An additional risk factor is that the North American natural gas markets are in a period of significant disruption. The so-called shale boom, both in Canada and in the USA, has
22. resulted in dramatic increases in natural gas supply, distortion in the supply demand balance, and historically low natural gas prices. Current gas prices have improved slightly and are currently ~\$2.58 per gigajoule. Low natural gas prices will affect the financial viability of small, under capitalized companies like Pieridae.
23. In light of all of the above, I believe that there is significant risk that Pieridae does not, and will not, have the financial resources or experience to successfully complete its LNG export project or to safely and responsibly operate the Foothills Assets.
24. I also believe that if the proposed Shell sale of assets to Pieridae is approved by the Alberta Energy Regulator and Pieridae subsequently fails financially, that the liability for an estimated \$1 Billion+ in current environmental liability will become the financial responsibility of both provincial and federal taxpayers.
25. Additionally, I submit that if Pieridae fails financially it would likely default on its tax obligations to the MD of Pincher Creek resulting in a significant shortfall in tax revenues to the County that ratepayers would have to make up by paying higher taxes.

⁴ Debt with AIMCo carries an interest rate of >22 percent per annum.

⁵ Based on Pieridae's Q3 Financials

26. Finally, I would alert the County that if it subsequently decides that it has concerns about the proposed sale of Shell's Foothills Assets to Pieridae, that the deadline for filing Statements of Concern with the Alberta Energy Regulator with respect to this matter is 4:00 PM on February 19th, 2021⁶.

27. Subject to any questions, that is my submission.

⁶ <https://www.aer.ca/regulating-development/project-application/notices/application-1931841-etc>