



Aboriginal Affairs and  
Northern Development Canada

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October 27, 2014

Paul Dixon  
Executive Director  
Sahtu Land and Water Board  
P.O. Box 1, Fort Good Hope  
Northwest Territories  
X0E 0H0

October 24, 2014

**RE: AANDC Comments on Imperial Oil Resources Limited's "Abandonment and Reclamation Cost Estimate for Norman Wells Operations"**

Dear Mr. Dixon;

AANDC's review of Imperial Oil Resources Limited's (IORL) "Abandonment and Reclamation Cost Estimate for Norman Wells Operations" submitted September 26, 2014 is part of the Water Licence renewal for the Norman Wells Operation.

IORL is currently going through an update of its regulatory instruments for its operations at Norman Wells including the renewal of the water licence. The Norman Wells Operations which has been in existence since the 1940s has several regulators which manages its operations including NEB, GNWT, AANDC and the SLWB. The site has a mix of land ownerships which has evolved over the last 50 years from private land ownership, Commissioners Land and Federal leases through AANDC. Each owner will have their own requirements and risk management approaches for the operations on their respective policy framework.

AANDC appreciates SLWB's efforts to pull together all parties to work towards one collective security estimate for the operations to allow each respective party to determine its role while ensuring the public and environment is protected. AANDC specific responsibilities in this multi-party effort are with respect to the artificial island leases, mainland leases and the Minister as the signatory to the water licence. We recognize the role of NEB as the operations regulator, the GNWT as the major land owner on the mainland and the SLWB's role in developing a water licence for the Minister's consideration.

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AANDC has been in discussions with IORL in the renewal of the artificial islands leases and will be using the collaborative efforts to develop a security estimate as part of the consideration to ensure a whole of site approach to understanding the security requirements. While it always is a challenge to determine and allocate the securities allocated to specific regulators, this process led by the SLWB and the active engagement of all parties in the exercise will aid in the specific regulatory requirements.

AANDC's NWT Regional Office acknowledges and appreciates the co-operation of IORL, Government of the Northwest Territories, and the Sahtu Land and Water Board (SLWB) through the collective engagement in meetings and discussions in advance of the submission of this report. As a direct result of these discussions, the submitted report reflects the overall policy guidance and approach AANDC expects of companies. Specifically, the utilization of a RECLAIM model, the Estimate Assumptions, General Estimate Assumptions, and Unit Costs are reflective reflect the required estimates based on reclamation completed by a third party contractor and utilization of the unit prices as per the model. AANDC accepts Imperials approach to unit prices where none was available in the model.

As noted, this security estimate is part of the water licence renewal process where IORL is seeking an additional 10 years of operation. The normal process for securities is to have a detailed A&R Plan which is updated annually along with the concurrence of activities on the ground from inspection reports. In this case, the most recent A&R plan from which to base the securities is over 10 years old. All parties acknowledge the overdue nature of the revisions to the A&R Plan and in fact, the water board has initiated a process to review the plan with meetings starting in November 2014. However, the current security estimate will need to use the previously A&R Plan and be further updated once a new plan is in place under the water boards guidance and all party involvement.

The company acknowledges in it's security estimate that the facility has not changed in over 10 years of operating under the current licence nor are there any plans for changes to the facility in the term of the licence renewal (10 years). This scenario provides for a more static approach to managing the security estimate as opposed to a more dynamic and fluid mine site operation.

IORL has done a good job of utilizing the per unit costs of the RECLAIM Model and utilizing a standardized approach to unit costs where none is provided against the proposed A&R Plan approved by the water board for it's Norman Wells Operations. In addition, the company has used the discount rate of 3.3% which is the standard amount suggested by AANDC for security estimates in the NWT. The company has utilized a contingency rate of 10% for the security estimate based on the 2004 A&R Plan and the static nature of the operations over the last ten years and into the next ten years. We do note that the contingency has only been applied to Capital Costs and not the indirect

costs. AANDC would have liked to have seen the contingency expanded to include some of the indirect costs such as mobilization and demobilization, post-closure monitoring and maintenance, engineering and health and safety plans.

IORL based on its operations, approved A&R Plan, utilization of the RECLAIM Model and assumptions has submitted a detailed report estimating a total security amount of \$178,321,052.00 for the Norman Wells Operations.

AANDC NWT Regional Office through its review of this final report and on-going discussions prior to the submission of this report to the Water Board suggests an estimate of \$180,883,606.00 for IORL's Norman Wells Operation would be an appropriate amount. This amount is based on the acceptance of the approach used by IORL as noted in the above paragraph with the addition of \$2,562,554 in costs associated with the application of a 10% contingency added to some of the indirect costs mentioned previously. This amount may change once a revised A&R Plan is approved by the water report and the resulting review of securities based on the revised plan.

The actual process for the closure of the Norman Wells facility will be primarily guided by the NEB who is the Federal agency tasked with ensuring the operations and decommissioning of oil and gas facilities. Unlike a mining operation in the North which will often have a unique set of site infrastructure with an engineered solution to decommissioning. The result for the Norman Wells facility is more of a common understanding of the decommissioning process with a large component of land related activities versus the water related decommissioning activities such as tailings pond commonly occurring at mine sites.

In reviewing the report, we also want to highlight a couple of corrections to the report, notably;

### 2.2.3 Land Division

"Mainland – Northwest Territories;" should read "Mainland – Northwest Territories and Canada" as there are some Federal Lands on the mainland as noted in Figure 4.

### 4.1 Decommissioning

"Imperial conducted site-wide testing in the late 1990s and removed all asbestos-containing materials that were identified." AANDC would have expected to see a specific report identified to substantiate this claim of site-wide testing and would suggest one be identified for the next phase of the A&R plan process currently underway under the SWLB guidance.

In addition, AANDC had inquired at earlier meetings about the potential use of lead paint at the facility given the age of the operation. AANDC was expecting to see some statement or evidence of a report to clarify the matter but none was provided. We would expect to see the evidence in the next iteration of the A&R plan.

Once again, the AANDC NWT Regional Office appreciates the opportunity to review the security estimate as part of the water licence renewal process and would respond to any questions written or oral posed with respect to this response.

Yours truly,



Mike Roesch  
A/Manager  
Resource & Land Management