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File OF-Surv-OpAud-E284-2020-2021 01
13 April 2021

Mr. Duane Massé
Executive VP and COO
Enercapita Energy Ltd.
600, 435 – 4 Avenue SW
Calgary, AB T2P 3A8
Email [REDACTED]

Dear Mr. Massé:

**Canada Energy Regulator (CER) Final Audit Report
Enercapita Energy Ltd. (Enercapita)
Audit of Accountable Officer Annual Report**

Please find attached a copy of the Final Audit Report for the audit of Enercapita's 2019 Accountable Officer Annual Report conducted during the period from 2 November 2020 to 22 January 2021. The audit was conducted by the CER in accordance with section 103 of the *Canadian Energy Regulator Act (CER ACT)*.

On 26 February 2021, the CER sent Enercapita the Draft Audit Report documenting the evaluation of Enercapita's 2019 Annual Report for review and comment. Enercapita was also advised that the CER intends to post the Final Audit Report on the CER's website. To that end, Enercapita was advised that if it had any objections to the release of the audit report, or to specific parts of the report, to provide the CER with a list of those objections along with a detailed rationale and specific reference to applicable sections of the Access to Information Act and the Privacy Act. Enercapita was advised that the CER redacts the personal information of Enercapita's employees with the exception of the personal information of Enercapita's executive staff, which the CER considers publicly known figures of the company.

Enercapita was given until 29 March 2021 to provide the CER with any comments on the Draft Audit Report. Since no comments were received from Enercapita by 29 March 2021, the CER has now finalized its Final Audit Report and appendices, attached to this letter, which it will now post on the CER's website.

Corrective and Preventive Action Plan

Enercapita is required to submit to the CER, a corrective and preventive action (CAPA) plan for approval within 30 calendar days of receipt of this Final Audit Report describing the methods, timing and rationale for addressing the non-compliant findings identified in the audit report. Enercapita is directed to use the CER standard CAPA plan template, which has been attached to this report, in the development of its CAPA plan for approval.

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The CER will monitor and assess Enercapita's corrective and preventive actions until it is fully implemented. The CER will continue to monitor the implementation and effectiveness of Enercapita's management system and programs through targeted compliance verification activities as part of its on-going regulatory approaches.

If you require any further information or clarification, please contact Barbara Wegernoski, Lead Auditor, at 403-614-9537 or 1-800-899-1265.

Yours sincerely,

Signed by

Barbara Wegernoski
Lead Auditor

Attachments: Enercapita Energy Ltd. - Final Audit Report – Audit of Accountable Officer Annual Report, dated 13 April 2021

Copy of SEO 2.1.3 TMP CAPA Workbook.xlsx

c.c. Mr. Dan Barghshoon, Acting Director Audit and Enforcement,
Canada Energy Regulator, email [REDACTED]
[REDACTED], Joint Venture & Regulatory Engineer, Enercapita
Energy Ltd., email [REDACTED]



Canada Energy
Regulator

Régie de l'énergie
du Canada

**Canada Energy Regulator (CER)
Suite 210, 517 Tenth Avenue SW
Calgary, Alberta
T2R 0A8**

**Final Audit Report
Enercapita Energy Ltd. (Enercapita)
Audit of Accountable Officer (AO) Annual Report
Compliance Verification Activity: CV2021-479
File OF-Surv-OpAud-E284-2020-2021 0101
Date: 13 April 2021**



Executive Summary

In accordance with section 103 of the *Canadian Energy Regulator Act* (CER Act), the CER conducted a compliance audit of the Enercapita Energy Ltd. (Enercapita) 2019 Annual Report (Annual Report). The audit was conducted during the period from 2 November 2020 to 22 January 2021.

The objectives of the audit were to verify that Enercapita's Annual Report meets the requirements of the *Canadian Energy Regulator Onshore Pipeline Regulations* (SOR/99-294) (OPR) and that the company has the necessary processes, procedures and work instructions in place to fulfill the requirements of the OPR section 6.6.

The scope of the audit included the personnel, processes, and activities used to generate the 2019 Annual Report focusing on the following OPR paragraphs 6.5(1)(b), 6.5(1)(v), 6.6(1)(a), 6.6(1)(b), and 6.6(1)(c) over all of Enercapita's program areas for all lifecycle phases of Enercapita's CER-regulated assets.

The CER conducted the audit using the audit protocols, attached in Appendix 1 of this report. The CER assessed whether Enercapita's documentation, processes, and activities complied with legal and other requirements under the CER's authority listed below.

- CER Act;
- OPR; and,
- Any conditions contained within applicable certificates or orders issued by the CER.

Of the five (5) regulatory requirements listed in the audit protocol, the CER audit staff found Enercapita to be non-compliant with all five (5) of the regulatory requirements. The non-compliant findings relate to the generation of Enercapita's 2019 Annual Report in accordance with the requirements of, and to the level of detail required by, the OPR. The findings from the audit are summarized in Table 1 and explained in detail in Appendix 1 of this report.

With respect to the identified non-compliances, based on interviews with Enercapita personnel and a review of the information provided by the company, the CER is of the view that the non-compliant findings do not result in imminent or immediate safety or environmental protection issues.

In summary, Enercapita has activities that show they are assessing the safety and integrity of the pipelines under the CER jurisdiction. However, Enercapita was unable to provide documented evidence of its management system, section 55 program audits, goals, objectives and targets with associated performance measures and requested policies and therefore the CER was unable to determine if these activities were systematically incorporated into the company's daily operation. Enercapita management has recognized that this absence of documented evidence is a deficiency.

Enercapita is required to develop a Corrective and Preventive Action (CAPA) Plan to address the non-compliant findings and file it with the CER within 30 days of receipt of the Final Audit Report. The CER will monitor the implementation of the CAPA Plan to confirm that it is completed in a timely manner.



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1.0 Introduction

In accordance with section 103 of the CER Act, the CER conducted a compliance audit of the Annual Report. The audit was conducted during the period from 2 November 2020 to 22 January 2021.

CER audit staff applied the audit protocol listed in Appendix 1 of this report. Abbreviations and terminology used in the report can be found in Appendix 3.

Subsection 6.1(1) of the OPR requires that companies regulated by the CER establish and implement a management system that:

- is explicit, comprehensive and proactive;
- integrates the company's operational activities and technical systems with its management of human and financial resources to enable the company to meet its obligations under the OPR section 6;
- applies to all of the company's activities involving the design, construction, operation, or abandonment of a pipeline, and to the programs referred to in the OPR section 55;
- ensures coordination between the programs referred to in the OPR section 55; and,
- corresponds to the size of the company, to the scope, nature, and complexity of its activities, and to the hazards and risks associated with those activities.

Each company and its management system is required to comply with all applicable requirements of the CER Act, its applicable regulations, any standards referenced in the regulations, and any company-specific Orders and Certificates.

1.1 Audit Objectives

The objectives of the audit were to verify that Enercapita's Annual Report meets the requirements of the OPR and that the company has the necessary processes, procedures and work instructions in place to fulfill the requirements of the OPR section 6.6.

1.2 Audit Scope and Methodology

The scope of the audit included the personnel, processes, and activities used to generate the 2019 Annual Report focusing on the following OPR paragraphs 6.5(1)(b), 6.5(1)(v), 6.6(1)(a), 6.6(1)(b), and 6.6(1)(c) over all of Enercapita's program areas for all lifecycle phases of Enercapita's CER-regulated assets.

An audit notification letter was sent to Enercapita on 30 October 2020 advising Enercapita of the CER's plans to conduct the audit and detailing the audit's objectives. The Lead Auditor provided the audit protocol and initial information request (IR) and the audit plan to Enercapita on 4 November 2020. The opening meeting was held on 9 November 2020. Enercapita's document submission deadline to respond to the audit protocol and initial IR's was 11 December 2020. Enercapita provided 8 company documents and the audit protocol and IR request document. Of the 8 company documents provided, Enercapita only referenced 6 of the 8 documents as being relevant in its responses to the IR questions. The CER audit staff began document review on 14 December 2020 and interviews were conducted during the period from 11 to 15 January 2021. Throughout the interview period, CER audit staff requested additional information via the Daily Summary report which was sent daily to Enercapita's Joint Venture and Regulatory Engineer.



The audit was conducted virtually with no physical on-site visits. Enercapita provided the CER with access to all of its documents and records related to the audit through a shared access site. To evaluate Enercapita's compliance, CER audit staff reviewed the documents and records provided by Enercapita and conducted interviews with company personnel.

The CER audit staff shared a pre-closeout summary of the results of the audit with Enercapita personnel on 22 January 2021, which identified five (5) potential non-compliances. At that time, Enercapita was given an additional week to provide any documents or records which Enercapita believed could help resolve the non-compliances. Subsequent to the pre-closeout meeting, Enercapita informed the CER they had no additional information to provide for consideration so the meeting held on 22 January 2021 became the Final Closeout meeting.

2.0 Facility and Process Description

In 2019 Enercapita was the operator and licensee of the following CER regulated pipelines:

- Sour gas producing pipeline with 9660 kPA MOP (pipeline) located at 10-18-87-13W6M
- Sour gas producing pipeline with 10200 kPA MOP (tie-in) located at 04-16-87-13W6M

As well, in 2019, Enercapita was the operator, but not licensee, of the following CER regulated pipelines and facilities:

- Boundary Lake NPS 4 pipeline 1 – sour gas pipeline located at 04-16-86-13W6M (BC) – 5-16-86-13W6M (AB)
- Boundary Lake NPS 4 pipeline 2 - saline pipeline located at 04-16-86-13W6M (BC) – 5-16-86-13W6M (AB)
- Boundary Lake NPS 2 pipeline 3 – fuel gas pipeline located at 5-16-86-13W6M (AB) – 4-16-86-13W6M (BC)
- Boundary Lake pipeline 1 – Pigging Facilities located at 04-16-86-13W6M (BC) – 5-16-86-13W6M (AB)
- Boundary Lake pipeline 2 – Pigging Facilities located at 04-16-86-13W6M (BC) – 5-16-86-13W6M (AB)
- Boundary Lake pipeline 3 – Pigging Facilities located at 5-16-86-13W6M (AB) – 4-16-86-13W6M (BC)
- Boundary Lake NPS - 1/2 pipeline 4 located at 10-28-85-13W6M (AB) – 14-29-85-13W6M (BC)

See Appendix 2.0 for a map showing CER-regulated pipelines.

3.0 Assessment of Compliance

3.1 General

There are a number of requirements in this audit in order for an auditee to be able to demonstrate to the CER that it is conducting its activities in compliance with the OPR within the objectives and scope of the audit.



The OPR requires that CER-regulated companies establish documented policies and goals to ensure that its obligations under the OPR are met. The company is to have a policy for the internal reporting of hazards, potential hazards, incidents and near-misses and corporate goals for the prevention of ruptures, liquid and gas releases, fatalities and injuries and for the response to incidents and emergency situations. In addition, the OPR requires the company's accountable officer (AO) to prepare a policy statement that sets out the company's commitment to those policies and goals and communicate it to the company's employees.

The OPR section 6.1 requires companies to establish, implement and maintain a management system within 90 days after the day on which the certificate or order authorizing it to construct or operate a pipeline is issued under the Act. The company is to base its management system, as well as the programs referred to in section 55 of the OPR on its policies and goals. It also must have a process for setting the objectives and specific targets required to achieve the corporate goals, and performance measures for evaluating the company's success in achieving its goals, objectives and targets.

Having established a management system, the OPR requires the company to establish and implement a process for evaluating the adequacy and effectiveness of the management system and for monitoring, measuring and documenting the company's performance in meeting its obligations under the OPR. To accomplish this, the company is required to have a quality assurance program for the management system and for each program referred to in section 55, including a process for conducting compliance audits and for taking corrective and preventive actions if deficiencies are identified. The management system and the programs referred to in section 55, the processes and procedures, and policies described in subsection 6.3(1) of the OPR shall be documented.

The primary focus of the audit being conducted herein, is that the OPR requires the company to generate an annual report for the AO's review and signature. The annual report is to describe the company's performance in achieving its goals, objectives and targets during the previous year, as evaluated by the company's performance measures. In addition, the report is to describe the adequacy and effectiveness of the company's management system in achieving the companies, policies, goals and objectives and to describe the actions taken during the year to correct any deficiencies identified by the company's quality assurance program.

Once the company has prepared its annual report and it has been reviewed and signed by the AO, the company is to advise the CER of this in writing. This written advisory is to be signed by the AO and delivered to the CER no later than April 30 of each year.

The receipt of this notification each year serves to advise the CER that the AO is aware of and has signed off on an Annual Report which details:

- The adequacy and effectiveness of the management system and programs;
- Any deficiencies identified through the company's quality assurance measures; and
- The status of the actions being taken to rectify any deficiencies.

The CER does not normally ask companies to provide a copy of this annual report, but simply to verify that it has completed it and that it has been reviewed and signed by the AO. However, the CER can ask companies to produce the report, as it did during this audit.

More detailed explanations of the CER's expectations for this audit are explained in Appendix 1.0.



3.2 Assessment of Enercapita's Regulated Facilities

The CER audit staff's assessment of Enercapita's compliance with the regulatory requirements are summarized in Table 1 of this report and explained in detail in Appendix 1.0 attached to this report. The CER audit staff found Enercapita to be non-compliant with all five (5) of the regulatory requirements evaluated as part of this audit.

Each of the audit protocol (AP) numbers has a specific OPR requirement that must be met. Since the OPR contains interrelated or interacting requirements, each of these specific OPR sections contains linkages to other management system elements which have been explicitly outlined in the audit protocol and information request document that was provided to the auditee. The Enercapita audit revealed deficiencies in both the specific OPR requirements and their associated OPR requirements, with several OPR requirements being completely absent.

Once the level of non-compliance to the OPR was established, the auditors, as inspection officers (IO), had the responsibility to determine if Enercapita's pipelines and facilities were being operated in a manner that is safe and secure and that protects people, property and the environment. Evidence of this was provided by interviews and documents developed by an external engineering company Enercapita contracts to conduct annual assessments of its lines and facilities. Documentation generated for these assessments was exclusive to integrity.

The *Field Pipeline Review, Boundary Lake summary* on 21 June 2019 which was generated by the external engineering firm provided evidence that risk assessments are being conducted, inspections are taking place and non-compliances are being identified. The CER audit team did note however that although non-compliances are being provided to Enercapita within this report and there is a section for corrective actions with columns for, "Assigned To, Due Date and Date Completed," the document Enercapita provided was blank in all columns associated with the 14 corrective actions identified by the contracting engineering company. Additional inquiries during interviews with Enercapita regarding the tracking of corrective and preventative actions revealed that the company does not have a process in place or maintain a tracking log.

3.3 List of Audit Findings

The CER could assign one of two possible types of findings to each audit protocol item evaluated:

1. No Issues Identified – *No non-compliances were identified during the audit based on the information provided and reviewed within the context of the scope of the audit; or,*
2. Non-compliant – *An evaluated regulatory requirement does not meet legal requirements. The company has not demonstrated that it has developed and implemented programs, processes and procedures that meet the legal requirements. A corrective and preventative action plan must be developed and implemented.*

Below is a table that provides a generalized description of the CER's audit findings. They correspond to the Appendix 1 Audit Assessment Tables that provide more information regarding the review and substance of each finding.



Table 1: Summary of Findings

Audit Protocol Item	Regulatory Reference	Protocol Topic	Status	Summary of Finding
AP-01	OPR paragraph 6.5(1)(b)	Performance Measures to meet Company Goals, Objectives and Targets	Non-Compliant	No performance measures have been developed that evaluate the performance of goals, objectives, and/or targets.
AP-02	OPR paragraph 6.6(1)(a)	Describe Company's Performance in Achieving its Goals, Objectives and Targets	Non-Compliant	While a signed, Annual CER Pipeline Report was provided, the report does not describe the company's performance in achieving goals, objectives, and/or targets. Performance measures, targets, and objectives are all missing from the report.
AP-03	OPR paragraph 6.5(1)(v)	Process to Evaluate Adequacy and Effectiveness of the Management System	Non-Compliant	No document exists that describes how to evaluate the adequacy and effectiveness of their management system. Thus, no process exists.
AP-04	OPR paragraph 6.6(1)(b)	Describe the Adequacy and Effectiveness of the Management System	Non-Compliant	As discussed in AP-03, Enercapita has not established a process for evaluating the adequacy and effectiveness of the company's management system; therefore, Enercapita is unable to describe the adequacy and effectiveness of the company's management system. Additionally, Enercapita was not able to provide evidence that the company has a management system as required by OPR section 6.1 and therefore there is no management system to evaluate.
AP-05	OPR paragraph 6.6(1)(c)	Describe the Actions Taken to Correct Deficiencies	Non-Compliant	The Annual Report does not describe actions to resolve program-related deficiencies.

4.0 Conclusion

Enercapita did not demonstrate that its 2019 Annual CER Pipeline Report satisfied the OPR requirements evaluated during this audit, as summarized below:



- Performance measures were not developed to evaluate the management system's success in achieving goals, objectives, and/or targets.
- The Annual Report does not describe the company's performance in achieving its goals, objectives, and targets.
- The Annual Report does not describe actions to resolve program-related deficiencies.

In summary, based on the information and documents requested Enercapita was unable to provide evidence to support most of what was requested, documented evidence is a gap that Enercapita acknowledged during the interviews. As a result, the CER audit team noted five non-compliances. Additionally, the documented information that was presented did not meet or fully meet the requirements of the OPR and due to these deficiencies, non-compliant findings were assessed.

The activities, documentation and interview generated by the third party engineering firm contracted by Enercapita was the primary information the CER audit team used to determine that Enercapita's pipelines and facilities were being operated in a manner that is safe and secure and that protects people, property and the environment.

The CER requires Enercapita to address the deficiencies identified during this audit which have been outlined in Table 1: Summary of Findings, through the development of a corrective and preventive action plan (CAPA Plan) using a template which will be provided by the CER to analyze, address, and manage these deficiencies. The CAPA Plan is to be filed by Enercapita with the CER for approval within 30 days of receipt of the Final Audit Report.

The CER will assess the implementation of Enercapita's CAPA Plan to confirm it is fully implemented in a timely manner.

The CER will make its Final Audit Report public on the CER's website.

With respect to deficiencies noted outside of the scope of this audit, the CER expects Enercapita to take action to bring its policies, programs and management system into alignment with the requirements of the OPR and may conduct compliance verification activities to verify this in the future.



AP-01: Performance Measures to meet Company Goals, Objectives and Targets

Regulatory Requirement:

OPR subsection 6.5(1) A company shall, as part of its management system and the programs referred to in section 55, (b) develop performance measures for evaluating the company's success in achieving its goals, objectives and targets.

Expected Outcome:

- *The company has developed performance measures that are relevant to its documented goals, objectives, and targets.*
- *The performance measures support the ability to assess the achievement of the company's goals, objectives, and targets.*
- *The company applies the performance measures to assess its success in achieving its goals, objectives and targets.*

Summary of Information Made Available by Enercapita:

To demonstrate compliance with this requirement, Enercapita supplied the CER audit staff with:

- **2019 KPI Metrics Review – CER lines**
- **Explore Pipeline Review – Boundary Lake Fields – July 2019**
- **Explore Boundary Lake North Field Review Summary – 2019**
- **2019 Internal Conformance Review – CER lines**
- **2019 Safety Manual**
- **2019 Annual CER Pipeline Report**

Assessment:

While Enercapita does have a **2019 Annual CER Pipeline Report** signed by the AO, Enercapita has not satisfied all of the expected outcomes listed above.

This **2019 Annual CER Pipeline Report** does not discuss the company's performance in achieving its 2019 goals, objectives, and/or targets.

The **2019 KPI Metrics Review – CER lines** document contained 5 key performance indicators (KPI): Operational Status, Pipeline Pigging, Pipeline Chemical Program, Cathodic Protection and ROW Inspections. Each KPI had a metric associated with it i.e., "**KPI 1 metric - Do all pipelines have the correct licensed operational status for their current operating conditions (i.e., Operating, Discontinued, Abandoned etc.)? Target = 100% compliance on license status.**" In the columns preceding the metric, there was a column for Yes, No,



N/A and Comments which was populated. There was also a section at the bottom for follow up action plan, the report had “No follow-up action items identified.”

The **2019 KPI Metrics Review – CER lines** document was specific to integrity.

- This document did not contain goals or objectives.
- The term “KPI” is the term the company uses instead of performance measures.
- It is not possible to determine if the targets are relevant because the document does not contain goals or objectives.

During subsequent IR and document requests, Enercapita provided its **2020 Q1 Strategic Objectives_Quarterly_Update** which contained two bullet points for safety and four for regulatory. Of the four bullet points for regulatory, only one was labelled as a target. However, as with the **2019 KPI Metrics Review – CER lines** documents, there were no goals or objectives within the document and there was no information on the other section 55 programs.

The other documents, **Explore Pipeline Review – Boundary Lake Fields – July 2019, Explore Boundary Lake North Field Review Summary – 2019, 2019 Annual CER Pipeline Report, 2019 Internal Conformance Review – CER lines and Safety Manual – 2019**, which Enercapita stated in (their) its written responses were to be referenced to comply to this AP, did not contain information about KPI's, targets or performance measures. The **Safety Manual – 2019** has a paragraph titled **Performance Monitoring** which states “*Performance monitoring is used as means of determining the extent to which our health and safety policies and objectives are being implemented and risks are being controlled,*” however there are no performance measures listed.

Additional IR requests were made requesting evidence that goals, objectives, and targets had been developed for each of the section 55 programs. Enercapita was not able to provide evidence it met this requirement.

Lastly, Enercapita did not provide documented policies and goals for the prevention of ruptures, liquid and gas releases, fatalities, injuries and for response to incidents and emergency situations as required by paragraph 6.3(1)(b).

Enercapita could not provide evidence of existing programs as outlined in section 55. In its written response to the “Enercapita Audit Protocol and Information Request - response” document, Enercapita stated that the company has no documented security management program or environmental protection program. The company also wrote that its damage prevention program was included within the Pipeline Integrity program, which was a manual the company provided. The company also provided a safety manual for its safety program. CER audit staff noted that within the safety manual, there were references to Alberta and British Columbia occupational exposure limits and reporting requirements, however there was no reference within the manual to federal requirements.

Enercapita was not able to provide a process for setting objectives and specific targets. Interviews indicated that strategic objectives are discussed during meetings between the manager and COO, who determines final objectives. No meeting minutes or other documentation is kept to support what is discussed at these meetings.



A screen shot of an email sent from the Asset Manager, with no evidence of who the email was sent to or when the email was sent, indicating the attachment contained the 2020 Strategic objectives, was provided.

Enercapita was not able to provide a process for the internal and external communication of information. A screen shot of two emails sent from the Asset Manager, with no evidence of who the email was sent to or when the email was sent. One email was sent asking, “everyone in the email to come up with ideas and specific action items that feed into our strategy from the bottom up,” and the second email indicating the attachment contained the 2020 Strategic objectives, were provided.

Finding: Non-Compliant

Based on the information made available by Enercapita and reviewed by the CER audit team within the scope of this audit, Enercapita was unable to demonstrate that:

- It has a process for setting departmental goals, objectives and targets designed to achieve the corporate goals;
- It has developed performance measures relevant to the documented goals, objectives, and targets;
- The performance measures support the ability to assess the achievement of the company’s goals, objectives, and targets; and
- The company applies the performance measures to assess its success in achieving its goals, objectives and targets.

Enercapita will have to develop a CAPA to address these deficiencies and submit to the CER for approval via a CAPA Plan.



AP-02: Describe Company's Performance in Achieving its Goals, Objectives and Targets

Regulatory Requirement:

OPR subsection 6.6(1) A company shall complete an annual report for the previous calendar year, signed by the AO, that describes (a) the company's performance in achieving its goals, objectives and targets during that year, as evaluated by the performance measures developed under paragraph 6.5(1)(b).

Expected Outcomes: The company is able to demonstrate that:

- *The company has completed an annual report for the previous calendar year.*
- *The report has been reviewed and signed by the AO.*
- *The annual report discusses the company's performance in achieving its goals, objectives and targets.*
- *The goals, objectives and targets are those developed in accordance with the requirements of the OPR paragraph 6.5(1)(b).*

Summary of Information Made Available by Enercapita:

To demonstrate compliance with this requirement, Enercapita supplied the CER audit staff with the following documents:

- **2019 Annual CER Pipeline Report**
- **2019 KPI Metrics Review – CER lines**

Assessment:

While Enercapita does have a **2019 Annual CER Pipeline Report** signed by the AO, Enercapita has not satisfied all of the expected outcomes listed above.

The **2019 Annual CER Pipeline Report** did not contain a descriptor of the company's performance in achieving its goals, objectives and targets during 2019, as evaluated by the performance measures developed under paragraph 6.5(1)(b).

- The report did not contain information discussing the adequacy and effectiveness of the company's management system, as required by the process.
- The report did not provide the actions taken during 2019 to correct deficiencies identified by the quality assurance program established under paragraph 6.5(1)(w).
- The report did contain deficiencies from 2019, all of which were observations submitted to Enercapita by CER IO's from a field inspection on 27 June 2019.

Enercapita's Joint Venture and Regulatory Engineer submitted an email to follow up on the additional IR requests made by CER audit team and stated in the email that Enercapita does not have an AO Annual Report.



The CER audit team notes that the statement submitted by Enercapita to the CER on 29 April 2020, which is signed by the AO, states that it has met the requirements of the OPR subsection 6.6(1) even though there is no Annual Report being produced that meets these requirements.

Finding: Non-Compliant

Based on the information made available by Enercapita and reviewed by the CER audit team within the scope of this audit, Enercapita was unable to demonstrate that it had described the company's performance in achieving its goals objectives and targets during that year, as evaluated by its performance measures, in the document it referred to as its **2019 Annual CER Pipeline Report**.

Enercapita will have to develop a CAPA to address these deficiencies and submit to the CER for approval via a CAPA Plan.



AP-03: Process to Evaluate the Adequacy and Effectiveness of the Management System

Regulatory Requirement:

OPR subsection 6.5(1) A company shall, as part of its management system and the programs referred to in section 55, **OPR paragraph 6.5(1)(v)** establish and implement a process for evaluating the adequacy and effectiveness of the company's management system and for monitoring, measuring and documenting the company's performance in meeting its obligations under these Regulations.

Expected Outcome: The company is able to demonstrate that:

- *The company has a compliant process that is established and implemented.*
- *The company has developed methods for evaluating the adequacy and effectiveness of its management system.*
- *The company's management system has been evaluated for adequacy and effectiveness.*
- *The company's performance in meeting its obligations under these Regulations have been monitored, measured and are documented.*
- *The company has implemented corrective actions based on the results of its monitoring and measuring the adequacy and performance of its management system.*

Summary of Information Made Available by Enercapita

To demonstrate compliance with this requirement, Enercapita provided the CER audit staff with the following documents:

- **2019 Internal Conformance Review – CER lines**

Assessment:

Enercapita has not satisfied the expected outcomes listed above.

Enercapita has not established a process for evaluating the adequacy and effectiveness of the company's management system. For a process to be established, it needs to be:

- Documented.
- Contain a series of actions that take place in an established order and are directed toward a specific result.
- A process also outlines the roles, responsibilities and authorities involved in the actions.
- A process may contain a set of procedures, if required.

Enercapita was unable to demonstrate it had a management system in place as required by the OPR section 6.1.

- Additional IR requests were made to Enercapita requesting evidence of its management system. Enercapita's Joint Venture and



Regulatory Engineer replied to the IR request on 5 January 2021 stating the request would be outstanding and no documentation was provided.

- OPR subsection 6.1(2) requires a company to establish its management system within 90 days after the day on which the certificate or order authorizing it to construct or operate a pipeline is issued under the Act.
- OPR subsection 6.5(1) outlines the regulatory requirements and elements that a company's management system must contain, which includes paragraph 6.5(1)(v) and because a management system was not developed as per sub-section 6.5(1), the process required in paragraph 6.5(1)(v) has not been established.

The **2019 Internal Conformance Review – CER lines** document provided contains information specific to integrity and although it contained a comprehensive list of tasks and assigned the following: R-responsible, A- Accountable, C- Consulted, I-Informed for each task to specific roles: Operations Manager, Operations Technician, HSE Coordinator, Field Operations or Vendor Support, this document was not appropriate to evaluate the adequacy and effectiveness of the tasks.

No evidence of a process for inspecting and monitoring the company's activities and facilities to evaluate the adequacy and effectiveness of the programs referred to in section 55 and for taking corrective and preventive actions if deficiencies are identified, was provided.

The company did not provide evidence to support that inspection and monitoring was occurring for any of the section 55 program areas other than integrity, see discussion in AP-01.

Enercapita provided its "Health, Safety and Environmental Quarterly Summary," which showed the company is tracking incidents. However, no corrective and preventative actions were present in this report for the two incidents that occurred in Q2 of 2019.

Finding: Non-Compliant

Based on the information made available by Enercapita and reviewed by the CER audit staff within the scope of this audit, Enercapita is considered to be non-compliant to this requirement. No document exists that describes how to evaluate the adequacy and effectiveness of the company's management system. Thus, no process exists. No evidence was provided to support Enercapita has a management system in place.

Enercapita will have to develop a CAPA to address these deficiencies and submit to the CER for approval via a CAPA Plan.



AP-04: Describe the Adequacy and Effectiveness of the Management System

Regulatory Requirement:

OPR subsection 6.6(1) A company shall complete an annual report for the previous calendar year, signed by the AO, that describes, (b) the adequacy and effectiveness of the company's management system, as evaluated by the process established and implemented under paragraph 6.5(1)(v);

Expected Outcome: The company is able to demonstrate that:

- *The company has completed an annual report for the previous calendar year that is signed by the AO.*
- *The annual report discusses the adequacy and effectiveness of the company's management system.*
- *The discussion of adequacy and effectiveness of the management system is based on the process established and implemented in accordance with the requirements of the OPR paragraph 6.5(1)(v).*

Summary of Information Made Available by Enercapita:

Enercapita supplied the CER audit staff with the following documents:

- **2019 Internal Conformance Review – CER lines**
- **2019 KPI Metrics Review – CER lines**

Assessment:

Enercapita has not satisfied the expected outcomes listed above.

While Enercapita does have a **2019 Annual CER Pipeline Report** signed by the AO, Enercapita's Joint Venture and Regulatory Engineer submitted an email on 15 January 2021, stating that Enercapita does not have an AO Annual Report.

Enercapita was unable to demonstrate it had a management system in place as required by the OPR.

As discussed in AP-03, Enercapita has not established a process for evaluating the adequacy and effectiveness of the company's management system; therefore, Enercapita is unable to describe the adequacy and effectiveness of the company's management system.

Finding: Non-Compliant

Based on the information made available by Enercapita and reviewed by the CER audit staff within the scope of this audit, Enercapita is considered to be non-compliant to this requirement. Enercapita was unable to demonstrate that it described the adequacy and effectiveness of its management system in the document it refers to as its **2019 Annual CER Pipeline Report**.



Enercapita will have to develop a CAPA to address these deficiencies and submit to the CER for approval via a CAPA Plan.



AP-05: Describe the Actions Taken to Correct Deficiencies

Regulatory Requirement:

OPR subsection 6.6(1) A company shall complete an annual report for the previous calendar year, signed by the AO, that describes (c) the actions taken during that year to correct any deficiencies identified by the quality assurance program established under paragraph 6.5(1)(w).

Expected Outcome: The Company is able to demonstrate that:

- *The company has completed an annual report that has been signed by the AO.*
- *The company has identified any deficiencies identified by the company's quality assurance program, through audits, inspections and other activities.*
- *The company has a quality assurance program.*
- *The annual report discusses the actions taken by the company to correct any deficiencies that have been identified by the company's quality assurance program.*

Summary of Information Made Available by Enercapita:

To demonstrate compliance to this regulatory requirement, Enercapita supplied CER audit staff with the following documents:

- **2019 Annual CER Pipeline Report**

Assessment:

Enercapita has not satisfied all of the expected outcomes listed above.

The **2019 Annual CER Pipeline Report** contained 6 deficiencies, all of which were observations issued to Enercapita by the CER during a field inspection in 27 June 2019. The report did not contain deficiencies or corrective actions taken during the year to correct deficiencies identified by Enercapita.

There was no evidence provided to support Enercapita has a quality assurance program or management system in place and as described in AP-01.

Further, it was noted by the CER audit team that not all of the section 55 programs are established, see discussion in AP-01. Paragraph 6.5(1)(w) requires an established and implemented quality assurance program for the management system and for each program referred to in section 55: environmental protection, safety management, security management, emergency management, integrity management.



Finding: Non-Compliant

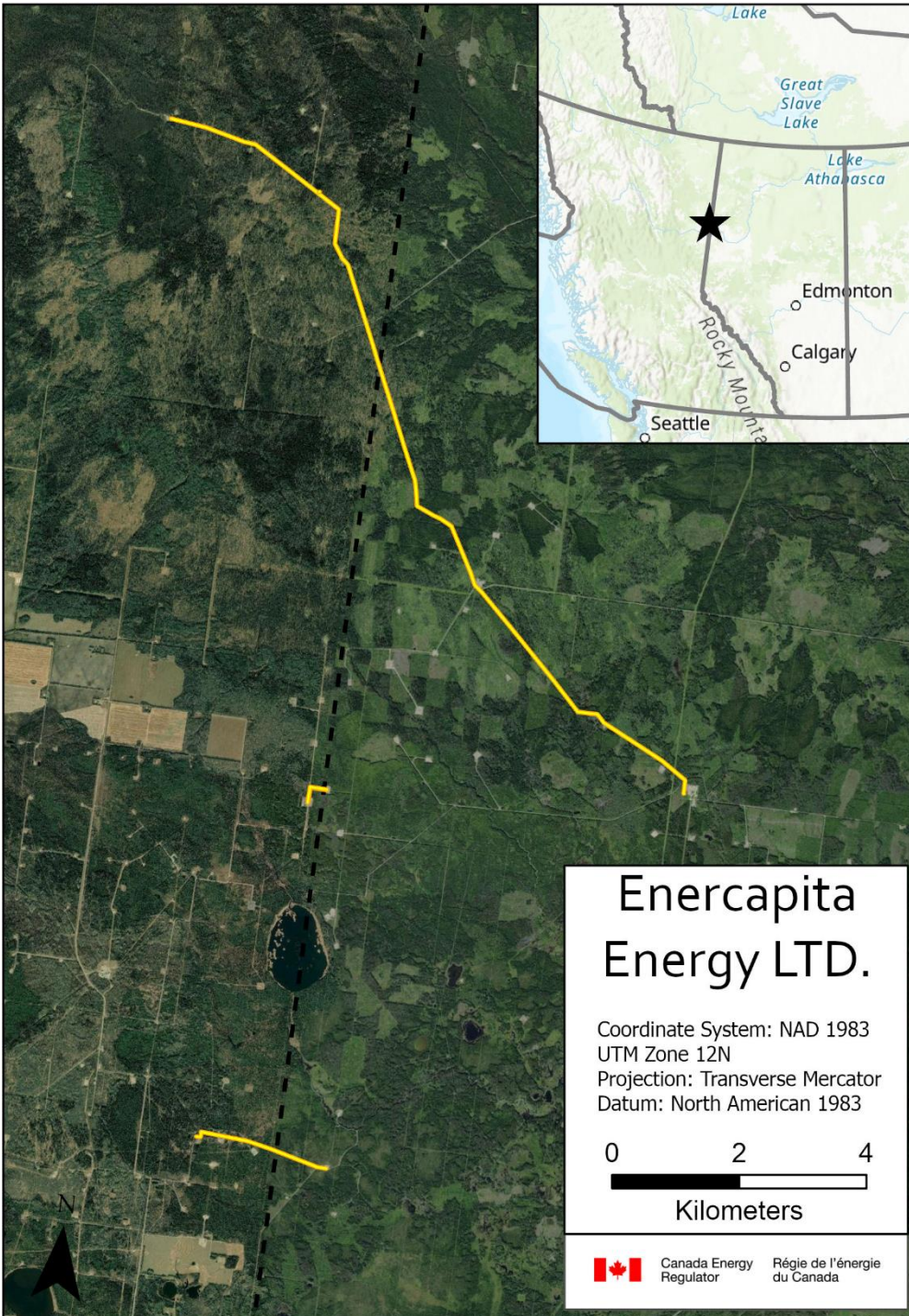
Based on the information made available by Enercapita and reviewed by the CER audit staff within the scope of this audit, Enercapita is considered to be non-compliant to this requirement. Enercapita was unable to demonstrate that it described the actions taken to correct deficiencies identified by its quality assurance activities in the document it referred to as its **2019 Annual CER Pipeline Report**.

Enercapita will have to develop a CAPA to address these deficiencies and submit to the CER for approval via a CAPA Plan.



Appendix 2.0 – Map and System Description

Enercapita's CER-Regulated pipelines are shown in the following map below.



This map is a graphical representation intended for general informational purposes only. Map produced by the CER, January, 2021. Last updated on Jan 26

Figure 1. Map of Relevant CER Regulated Pipelines



Appendix 3.1 – Abbreviations

The following abbreviations were used in this report:

AMR:	Annual Management Review
AO:	Accountable officer
AP:	Audit Protocol
CAPA:	Corrective and Preventive Actions
CER:	Canada Energy Regulator
CER Act:	<i>Canadian Energy Regulator Act</i>
CSA:	Canadian Standards Association
EHS:	Environment, Health and Safety
EOP:	Emergency Operating Procedure
ERP:	Emergency Response Plan
IR:	CER audit Information Request
MOC:	Management of change
MR:	Management Review
MS:	Management System
OPR:	<i>Canadian Energy Regulator Onshore Pipeline Regulations</i>



Appendix 3.2 – Glossary of Terminology and Definitions

(The CER has applied the following definitions and explanations in measuring the various requirements included in this audit. They follow or incorporate legislated definitions or guidance and practices established by the CER.)

Adequate: The management system, programs or processes complies with the scope, documentation requirements and, where applicable, the stated goals and outcomes of the CER Act, its associated regulations and referenced standards. Within the CER's regulatory requirements, this is demonstrated through documentation.

Audit: A systematic, documented verification process of objectively obtaining and evaluating evidence to determine whether specified activities, events, conditions management systems or information about these matters conform to audit criteria and legal requirements and communicating the results of the process to the company.

Corrective Action Plan: A plan that addresses the non-compliances identified in the audit report and explains the methods and actions that will be used to correct them.

Developed: A process or other requirement has been created in the format required and meets the described regulatory requirements.

Effective: A process or other requirement meets its stated goals, objectives, targets and regulated outcomes. Continual improvement is being demonstrated. Within the CER's regulatory requirements, this is primarily demonstrated by records of inspection, measurement, monitoring, investigation, quality assurance, audit and management review processes as outlined in the OPR.

Established: A process or other requirement has been developed in the format required. It has been approved and endorsed for use by the appropriate management authority and communicated throughout the organization. All staff and persons working on behalf of the company or others that may require knowledge of the requirement are aware of the process requirements and its application. Staff has been trained on how to use the process or other requirement. The company has demonstrated that the process or other requirement has been implemented on a permanent basis. As a measure of *'permanent basis,'* the CER requires the requirement to be implemented, meeting all of the prescribed requirements, for three months.

Finding: The evaluation or determination of the compliance of programs or elements in meeting the requirements of the *Canadian Energy Regulator Act* and its associated regulations.

Implemented: A process or other requirement has been approved and endorsed for use by the appropriate management authority. It has been communicated throughout the organization. All staff and persons working on behalf of the company or others that may require knowledge of the requirement are aware of the process requirements and its application. Staff has been trained on how to use the process or other requirement. Staff and others working on behalf of the company have demonstrated use of the process or other requirement. Records and interviews have provided evidence of full implementation of the requirement, as prescribed (i.e., the process or procedures are not partially utilized).

Inventory: A documented compilation of required items. It must be kept in a manner that allows it to be integrated into the management system and management system processes without further definition or analysis.



List: A documented compilation of required items. It must be kept in a manner that allows it to be integrated into the management system and management system processes without further definition or analysis.

Maintained: A process or other requirement has been kept current in the format required and continues to meet regulatory requirements. With documents, the company must demonstrate that it meets the document management requirements in OPR paragraph 6.5(1)(o). With records, the company must demonstrate that it meets the records management requirements in OPR paragraph 6.5(1)(p).

Management System: The system set out in OPR sections 6.1 to 6.6. It is a systematic approach designed to effectively manage and reduce risk, and promote continual improvement. The system includes the organizational structures, resources, accountabilities, policies, processes and procedures required for the organization to meet its obligations related to safety, security and environmental protection.

(The CER has applied the following interpretation of the OPR for evaluating compliance of management systems applicable to its regulated facilities.)

As noted above, the CER management system requirements are set out in OPR sections 6.1 to 6.6. Therefore, in evaluating a company's management system, the CER considers more than the specific requirements of section 6.1. It considers how well the company has developed, incorporated and implemented the policies and goals on which it must base its management system as described in section 6.3; its organizational structure as described in section 6.4; and considers the establishment, implementation, development and/or maintenance of the processes, inventory and list described in subsection 6.5(1). As stated in paragraph 6.1(1)(c) and 6.1(1)(d), the company's management system and processes must apply and be applied to the programs described in section 55.

Manual: A document that contains a set of instructions on methods which are employed to accomplish a result. These instructions will be detailed and comprehensive. The document will be organized for ease of use.

Non-Compliant: The audited company has not demonstrated that it has established, developed, maintained and/or implemented programs, processes and procedures that meet the legal requirements relating to the protocol item referenced. A Corrective and Preventive Action (CAPA) plan must be developed for approval and implemented.

Plan: A detailed, documented formulation for action to achieve an end.

Practice: A repeated or customary action that is well understood by the persons authorized to carry it out.

Procedure: A procedure indicates how a process will be implemented. It provides a documented series of steps followed in a regular and defined order thereby allowing individual activities to be completed in an effective and safe manner. A procedure also outlines the roles, responsibilities and authorities required for completing each step.

Process: A documented series of actions taking place in an established order, with identified roles and responsibilities, and directed towards a result. A process includes the roles, responsibilities and authorities for the actions. A process may contain a set of procedures, if required.



(The CER has applied the following interpretation of the OPR for evaluating compliance of management system processes applicable to its regulated facilities.)

OPR subsection 6.5(1) describes the CER's required management system processes. In evaluating a company's management system processes, the CER considers whether each process or requirement: has been established, implemented, developed or maintained as described within each section; whether the process is documented; and whether the process is designed to address the requirements of the process, for example a process for identifying and analyzing all hazards and potential hazards. Processes must contain explicit required actions including roles, responsibilities and authorities for staff establishing, managing and implementing the processes. The CER considers this to constitute a common 5 w's and h approach (who, what, where, when, why and how). The CER recognizes that the OPR processes have multiple requirements; companies may therefore establish and implement multiple processes, as long as they are designed to meet the legal requirements and integrate any processes linkages contemplated by the OPR section. Processes must incorporate or contain linkage to procedures, where required to meet the process requirements.

As the processes constitute part of the management system, the required processes must be developed in a manner that allows them to function as part of the system. The required management system is described in OPR section 6.1. The processes must be designed in a manner that contributes to the company following its policies and goals established and required by section 6.3.

*Further, OPR subsection 6.5(1) indicates that each process must be part of the management system **and** the programs referred to in OPR section 55. Therefore, to be compliant, the process must also be designed in a manner which considers the specific technical requirements associated with each program and is applied to and meets the process requirements within each program. The CER recognizes that single process may not meet all of the programs; in these cases it is acceptable to establish governance processes as long as they meet the process requirements (as described above) and direct the program processes to be established and implemented in a consistent manner that allows for the management system to function as described in section 6.1.*

Program: A documented set of processes and procedures designed to regularly accomplish a result. A program outlines how plans, processes and procedures are linked, and how each one contributes toward the result. Program planning and evaluation are conducted regularly to check that the program is achieving intended results.

(The CER has applied the following interpretation of the OPR for evaluating compliance of programs required by the CER regulations.)

The program must include details on the activities to be completed including what, by whom, when, and how. The program must also include the resources required to complete the activities.



Appendix 4.0 – List of Company Staff Interviewed and Documents Reviewed

The lists of company staff interviewed and documents reviewed are maintained on file at the offices of the CER.