

Administrative Penalty Director's Decision

Named Party: CST Canada Coal Limited **BA Code:** A7PZ

File No. 2024-043

Preliminary Penalty Assessment

Number of Contraventions Identified	Base Assessment Amount	Factor Variance(s)	
Contravention 1	\$3500	(a) +\$1500 (b) +\$1000	
Contravention 2	\$3500		
Contravention 3	\$3500 x 3 days = \$10 500		
Total Contraventions: 3	Total Base Assessment: \$17 500	Total Variance:	\$2500

Preliminary Penalty Assessment: \$20 000

Director's Decision Summary

On July 6, 2026, I, Erik Kuleba, Director, Field Operations, Safety & Analytics for the Alberta Energy Regulator (AER), spoke with Peng Huang, Vice President for CST Canada Coal Limited (CST) to discuss the Preliminary Administrative Penalty Assessment (PA). As a result of this discussion, CST was given until July 16, 2026, to provide a written submission, and Mr. Huang was advised that he could ask questions or request a meeting after reviewing the PA. The PA was sent to Mr. Huang on July 6, 2026.

The PA identified the following contraventions and penalty assessments in relation to the *Environmental Protection and Enhancement Act (EPEA)*.

CONTRAVENTION 1

On August 7, 2024, the Alberta Energy Regulator became aware that, on or about August 6, 2024, in the Province of Alberta, CST Canada Coal Limited did contravene condition 4.2.4 of Approval 00155804-01-00 which states, “The approval holder shall only release mine wastewater from the mine wastewater handling facilities in TABLE 4.2-A, unless otherwise authorized in writing by the Director”, thereby contravening section 227(e) of the *Environmental Protection and Enhancement Act*.

Administrative Penalty Regulation (EPEA) / Water (Offences and Penalties) Regulation				
BASE PENALTY TABLE				
Type of Contravention				
Potential For Adverse Effect	Type of Contravention			
	Major	Moderate	Minor	
	Major	5000	3500	2500
	Moderate	3500	2500	1500
	Minor to None	2500	1500	1000

Type of Contravention: Major

The primary purpose of the *EPEA* is the protection of the environment. The requirements mandated by the *EPEA* ensure that activities undertaken pursuant to the Act, such as those required in an approval, are conducted in a manner that mitigates risks to the environment. The purpose of condition 4.2.4 of *EPEA* Approval 00155804-01-00 is to ensure mine wastewater is released in a manner that does not enter and impact the environment. Accordingly, the type of contravention is assessed as “Major.”

CST was only authorized to release mine wastewater to the environment from the facilities listed in Table 4.2-A of their *EPEA* approval which are designed to manage mine wastewater, including the treatment of mine wastewater prior to release. In this case, due to a variety of factors, CST’s 1.026 pond system was overloaded and mine wastewater and sediment were released into Sheep Creek from the unauthorized “12 Bridge” location. Factors leading to the unauthorized release include rainfall, known drainage problems prior to rainfall, drainage patterns altered by windrowed soil for reclamation work which funneled water and increased velocity, berm failure, and the washing away of a steel plate covering a known release point on 12 Bridge, instead of flowing to another handling facility.

Potential for Adverse Effect: Moderate

This incident involved a large volume of water with increased sediment and enough velocity to overload ponds and mine wastewater handling facilities and enter Sheep Creek. Although the investigation did not reveal the total amount of water and sediment released, there is data associated with CST’s Breaker Pond showing that at least 1,081,016.68 kg of sediment was released at flow rates of 11, 243 m³/day on August 6, 1212 m³/day on August 7, and 2117 m³/day on August 8, 2024. Sampling indicated total suspended solids (TSS) levels in excess of the maximum daily limit of 350 mg/L ranging from 450-540 mg/L on August 7-8, to 91,000-96,000 mg/L on August 6, 2024.

The volumes of water and sediment released from 12 Bridge are unknown but the bridge deck was covered in sediment and had noticeable water channels among this sediment. While the unauthorized 12 Bridge

release point may not be of large diameter, the release from this point did cause an erosion channel below the bridge and mine wastewater with increased sediment levels did enter Sheep Creek.

The primary environmental effects on Sheep Creek are related to sediment loading and elevated TSS. There were elevated levels of metals and polycyclic aromatic hydrocarbons identified, largely limited to the side channel of Sheep Creek. The effects were classified as likely localized and short-term in nature by an AER Senior Limnologist and Water Quality Specialist and Senior Fisheries Biologist. Fish injury or mortality was unlikely. Higher potential risks were identified to less mobile aquatic organisms and fish eggs. There were possible potential risks identified to bull trout spawning habitat, a “Threatened” species in Alberta, but these risks were identified as unlikely or not presenting a long-term threat. Accordingly, the potential for adverse effect is rated as “Moderate”.

Base Assessment: \$3500

CONTRAVENTION 2

On August 7, 2024, the Alberta Energy Regulator became aware that, on or about August 6, 2024, in the Province of Alberta, CST Canada Coal Limited did contravene condition 2.1.1 of Approval 00155804-01-00, which states, “The approval holder shall immediately report to the Director by telephone any contravention of the terms or conditions of this approval at 1-780-422-4505”, thereby contravening section 227(e) of the *Environmental Protection and Enhancement Act*.

<i>Administrative Penalty Regulation (EPEA) / Water (Offences and Penalties) Regulation</i>				
BASE PENALTY TABLE				
Type of Contravention				
Potential For Adverse Effect		Major	Moderate	Minor
	Major	5000	3500	2500
	Moderate	3500	2500	1500
	Minor to None	2500	1500	1000

Type of Contravention: Major

The primary purpose of the *EPEA* is the protection of the environment. The requirements mandated by the *EPEA* ensure that activities undertaken pursuant to the Act, such as those required in an approval, are conducted in a manner that mitigates risks to the environment. The subject requirement to immediately report any contravention of the terms or conditions of the approval is necessary to ensure appropriate regulatory oversight and an appropriate response from the company. Accordingly, the type of contravention is assessed as “Major”.

In this case, at approximately 1:00 p.m. on August 6, 2024, CST discovered the release from 12 Bridge (at approximately 12:00 p.m. CST discovered a large amount of water and material had overloaded the 1.026 pond system, including Breaker Pond). Rather than reporting immediately the release to the Director [AER] CST collected samples from Breaker Pond to confirm test results for total suspended solids (TSS) levels before reporting to Alberta EDGE approximately 22 hours and 28 minutes after identifying the 12 Bridge release. The sample results showed Breaker Pond had released mine wastewater with a TSS concentration of approximately 91,000 mg/L on August 6, 2024. On August 7, 2024, at approximately

11:28 a.m., CST contacted Alberta EDGE and reported the TSS exceedance contravention, but not the release of mine wastewater from an unauthorized handling facility contravention.

Potential for Adverse Effect: Moderate

This incident involved a large volume of water with increased sediment and enough velocity to overload pond and mine wastewater handling facilities and enter Sheep Creek. Although the investigation did not reveal the total amount of water and sediment released, there is data associated with CST's Breaker Pond showing that at least 1,081,016.68 kg of sediment was released at flow rates of 11,243 m³/day on August 6, 1212 m³/day on August 7, and 2117 m³/day on August 8, 2024. Sampling indicated total suspended solids (TSS) levels in excess of the maximum daily limit of 350 mg/L ranging from 450-540 mg/L on August 7-8, to 91,000-96,000 mg/L on August 6, 2024.

The volumes of water and sediment released from 12 Bridge are unknown but the bridge deck was covered in sediment and had noticeable water channels among this sediment. While the unauthorized 12 Bridge release point may not be of large diameter, the release from this point did cause an erosion channel below the bridge and mine wastewater with increased sediment levels did enter Sheep Creek.

The primary environmental effects on Sheep Creek are related to sediment loading and elevated TSS. There were elevated levels of metals and polycyclic aromatic hydrocarbons identified, largely limited to the side channel of Sheep Creek. The effects were classified as likely localized and short-term in nature by an AER Senior Limnologist and Water Quality Specialist and Senior Fisheries Biologist. Fish injury or mortality was unlikely. Higher potential risks were identified to less mobile aquatic organisms and fish eggs. There were possible potential risks identified to bull trout spawning habitat, a "Threatened" species in Alberta, but these risks were identified as unlikely or not presenting a long-term threat.

The potential for adverse effect may increase if contraventions are not reported immediately as the AER does not have the opportunity to provide timely oversight and ensure the regulated party is responding appropriately. However, in this case given the nature of the release, the potential rating will remain the same as the other contraventions. Accordingly, the potential for adverse effect is rated as "Moderate".

Base Assessment: \$3500

CONTRAVENTION 3

On August 7, 2024, the Alberta Energy Regulator became aware that, on or about August 6, 2024, and for the following 2 days, in the Province of Alberta, CST Canada Coal Limited did contravene condition 4.2.12 of Approval 00155804-01-00, which states; “Subject to 4.2.13, the release of any substances from the major ponds and plant site settling pond, shall not exceed the limits specified in TABLE 4.2-C”, thereby contravening section 227(e) of the *Environmental Protection and Enhancement Act*.

Administrative Penalty Regulation (EPEA) / Water (Offences and Penalties) Regulation				
BASE PENALTY TABLE Type of Contravention				
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	Major	Moderate	Minor	
	Major	5000	3500	2500
	Moderate	3500	2500	1500
	Minor to None	2500	1500	1000

Type of Contravention: Major

The primary purpose of the *EPEA* is the protection of the environment. The requirements mandated by the *EPEA* ensure that activities undertaken pursuant to the Act, such as those required in an approval, are conducted in a manner that mitigates impacts to the environment. The purpose of condition 4.2.12 in Approval 155804-01-00 is to ensure substance releases from CST’s ponds meet specified parameters to mitigate any potential impacts to the environment. Any failure to adhere to the limits set forth in the approval has the potential to cause adverse environmental impacts. Accordingly, the type of contravention is assessed as “Major”.

In this case, the maximum daily limit specified in Table 4.2-C is 350 mg/L [the table also sets out a 50 mg/L maximum daily average (for any month) limit]. Sampling data provided by CST for Breaker Pond shows total suspended solids (TSS) levels in excess of the maximum daily limit, ranging from 450-540 mg/L on August 7-8, to 91,000-96,000 mg/L on August 6, 2024.

Potential for Adverse Effect: Moderate

This incident involved a large volume of water with increased sediment and enough velocity to overload pond and mine wastewater handling facilities and enter Sheep Creek. Although the investigation did not reveal the total amount of water and sediment released, there is data associated with CST’s Breaker Pond showing that at least 1,081,016.68 kg of sediment was released at flow rates of 11, 243 m³/day on August 6, 1212 m³/day on August 7, and 2117 m³/day on August 8, 2024. Sampling indicated total suspended solids (TSS) levels in excess of the maximum daily limit of 350 mg/L ranging from 450-540 mg/L on August 7-8, to 91,000-96,000 mg/L on August 6, 2024.

The primary environmental effects on Sheep Creek are related to sediment loading and elevated TSS. There were elevated levels of metals and polycyclic aromatic hydrocarbons identified, largely limited to the side channel of Sheep Creek. The effects were classified as likely localized and short-term in nature by an AER Senior Limnologist and Water Quality Specialist and Senior Fisheries Biologist. Fish injury or mortality was unlikely. Higher potential risks were identified to less mobile aquatic organisms and fish eggs. There were possible potential risks identified to bull trout spawning habitat, a “Threatened” species

in Alberta, but these risks were identified as unlikely or not presenting a long-term threat. Accordingly, the potential for adverse effect is rated as “Moderate”.

Base Assessment: \$3500 x 3 days (August 6, 2024, to August 8, 2024, inclusive)

Factors Applicable to the Contravention(s)

See Appendix A: Factor Variances for a complete listing of the factors that may be considered to increase or decrease the amount determined using the applicable Base Penalty Table(s).

Factor from Appendix A	Amount Varied	Description/Comments
(a)	+\$1500	Following approval conditions, especially when their purpose is directly connected to environmental protection, is a vital component of the regulatory scheme and essential in preventing or mitigating adverse effects to the environment. \$500 is added to Contravention 1; \$500 is added to Contravention 2; and \$500 is added to Contravention 3.
(b)	+\$1000	There was a known release point on 12 Bridge that was not appropriately dealt with before the incident (metal plate covering release point that washed away). \$500 is added to Contravention 1. CST did not follow their own “Reporting and Investigation Policy”, dated February 22, 2024, to immediately report contraventions. \$500 is added to Contravention 2.

Discussion

On July 16, 2026, CST emailed the AER indicating that they had reviewed the PA. The email further stated, “We confirm that CST has no comments on preliminary assessment and accepts the proposed administrative penalty of \$20,000 as presented.” In light of CST’s email, there is no new relevant information to be considered prior to making a final decision.

Final Penalty Decision

I, Erik Kuleba, Director, Field Operations, Safety & Analytics for the AER, have fully considered all the information collected in the investigation.

I am of the opinion that the contraventions described above did occur, are supported by the evidence, and that there was a lack of due diligence on the part of CST, including:

- Being aware of a potential release point on 12 Bridge and not taking measures to seal or close the identified release point; and

- Not following their Reporting and Investigation Policy.

I find the total base penalty amounts reasonable and they remain the same.

I find the applied variance factors are relevant to the contraventions and agree with their assessment in the PA. I find the amounts for variance factors (a) and (b) reasonable and remain the same.

Final Penalty Assessment

Number of Contraventions Identified	Base Assessment Amount	Factor Variance(s)	
Contravention 1	\$3500	(a) +\$1500 (b) +\$1000	
Contravention 2	\$3500		
Contravention 3	\$3500 x 3 days = \$10 500		
Total Contraventions: 3	Total Base Assessment: \$17 500	Total Variance:	\$2500

FINAL PENALTY ASSESSMENT: \$20 000.00

Date: July 30, 2026

<original signed by>

Director's Signature: _____
Erik Kuleba, Director, Field Operations, Safety & Analytics, AER

Administrative Penalty Director's Decision

Appendix A: Factor Variances

Factors	<i>Administrative Penalty Regulation (EPEA)</i>	<i>Public Lands Administration Regulation</i>	<i>REDA General Regulation (Energy Enactments)</i>	<i>Water (Offences and Penalties) Regulation</i>
(a)	the importance to the regulatory scheme of compliance with the provision;	the importance to the regulatory scheme of compliance with the provision that was contravened;	the importance to the regulatory scheme of compliance with the provision that was contravened;	the importance to the regulatory scheme of compliance with the provision;
(b)	the degree of wilfulness or negligence in the contravention;	the degree of wilfulness or negligence, if any, on the part of any person responsible for the contravention;	the degree of wilfulness or negligence, if any, on the part of any person responsible for the contravention;	the degree of wilfulness or negligence in the contravention;
(c)	whether or not there was any mitigation relating to the contravention;	any steps taken by a person responsible for the contravention to avoid or limit the extent of any actual loss or damage that resulted or any potential loss or damage that may reasonably be expected to result from the contravention;	any steps taken by a person responsible for the contravention to avoid or limit the extent of any actual loss or damage that resulted or any potential loss or damage that may reasonably be expected to result from the contravention;	whether or not there was any mitigation relating to the contravention;
(d)	whether or not steps have been taken to prevent reoccurrence of the contravention;	any steps taken by a person responsible for the contravention to prevent its recurrence;	any steps taken by a person responsible for the contravention to prevent its recurrence;	whether or not steps have been taken to prevent reoccurrence of the contravention;
(e)	whether or not the person who receives the notice of administrative penalty has a history of non-compliance;	any previous contravention of a provision prescribed by subsection (2) by a person responsible for the contravention;	any previous contravention of a provision prescribed by section 8.1 by a person responsible for the contravention;	whether or not the person who receives the notice of administrative penalty has a history of non-compliance;
(f)	whether or not the person who receives the notice of administrative penalty has derived any economic benefit from the contravention;	whether a person responsible for the contravention derived or is likely to derive any economic benefit from the contravention;	whether a person responsible for the contravention derived or is likely to derive any economic benefit from the contravention;	whether or not the person who receives the notice of administrative penalty has derived any economic benefit from the contravention;
(g)	any other factors that, in the opinion of the Director, are relevant.	any other factor that, in the opinion of the director, is relevant.	any other factor that, in the opinion of the Regulator, is relevant.	any other factors that, in the opinion of the Director, are relevant.