



ATCO Gas and Pipelines Ltd. (South)

**Scotford Expansion Pipeline and
Air Products Delivery Lateral Pipeline**

January 23, 2015

Alberta Utilities Commission

Decision 3563-D01-2015

ATCO Gas and Pipelines Ltd. (South)

Scotford Expansion Pipeline and Air Products Delivery Lateral Pipeline

Proceeding 3563

Application 1611060

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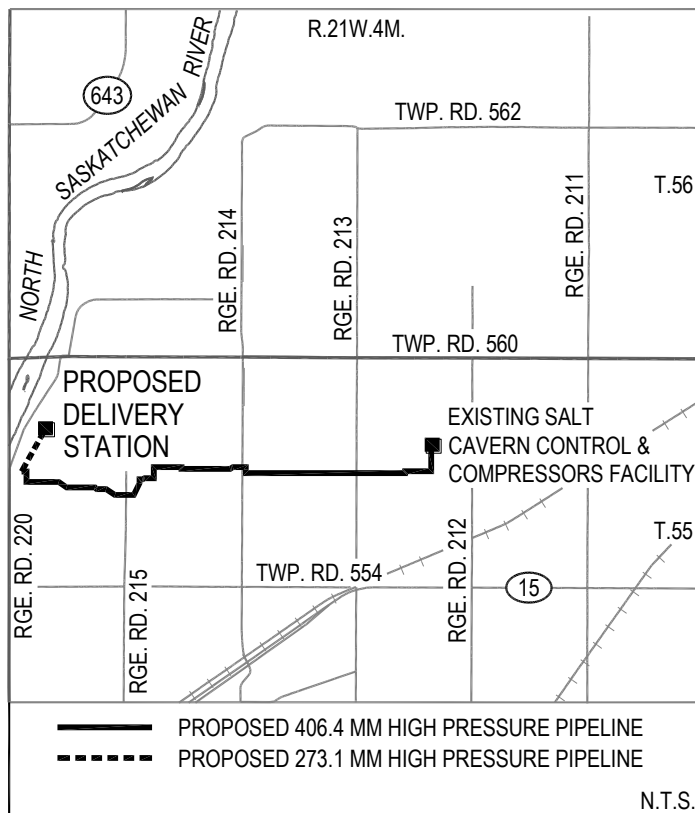
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1 Introduction and background

1. ATCO Gas and Pipelines Ltd. (South) (ATCO Pipelines) filed an application with the Alberta Utilities Commission (AUC or Commission), on December 9, 2014, seeking approval to construct two new high pressure sweet natural gas pipelines: the Scotford expansion pipeline, which is 6.6 kilometres (km) in length, and the Air Products delivery lateral pipeline, which is 730 metres in length. The two new pipelines would be located northeast of the city of Fort Saskatchewan and are shown in the map below. ATCO Pipelines made the application pursuant to Section 11 of the *Pipeline Act* and Section 4.1 of the *Gas Utilities Act*. Approval of the application would result in amendments to Licence 15386 and Licence 16723.



2. The Commission issued information requests to ATCO Pipelines on December 17, 2014. ATCO Pipelines responded to the information requests on December 19, 2014.

3. The Commission issued a notice of application for ATCO Pipeline's application on December 17, 2014. The deadline for filing objections or concerns was January 15, 2015. No objections or concerns were filed.

2 ATCO Pipelines application

2.1 Project description and need

4. ATCO Pipelines proposed to construct two new high pressure sweet natural gas pipelines with related surface facilities starting from its existing Salt Caverns facility in LSD 02-34-55-21-W4M and connecting to a new Air Products hydrogen production facility (Air Products) to be located at LSD 06-31-55-21-W4M. ATCO Pipelines explained that the initial purpose of the Scotford expansion pipeline and the Air Products delivery lateral pipeline is to deliver sweet natural gas to Air Products, and to increase the reliability of the existing ATCO Pipelines Scotford transmission system, which serves industrial customers in the area. ATCO Pipelines stated that the pipeline expansion is also proposed to service load growth in the area, including a new propane dehydrogenation (PDH) facility (Scotford PDH). Further, Air Products and the PDH facility owner have entered into firm service delivery contracts for 1,860 10³m³/d and 910 10³m³/d, respectively, with NOVA Gas Transmission Ltd. (NGTL). ATCO Pipelines will provide the pipeline service in accordance with the NGTL-ATCO Pipelines integration agreement.

5. ATCO Pipelines requested amendments to Licence 15386 and Licence 16723 pursuant to Section 11 of the *Pipeline Act* and Section 4.1 of the *Gas Utilities Act* for the following:

Pertaining to Licence 15386:

- splitting Line 3 into lines 3 and 4
- decreasing the maximum operating pressure of original Line 3 from 8,620 kilopascals (kPa) to 8,450 kPa
- Line 3 is to be abandoned under a subsequent application
- Line 4 is to remain operating
- addition of newly constructed pipeline [Line 5 – 0.06 km of 88.9-millimetre (mm) outside-diameter pipe] to connect to a proposed valve assembly

Pertaining to Licence 16723:

- splitting Line 55 into lines 55 and 159
- removal of Line 159
- Line 55 is to remain operating
- stress level amendment of original Line 55 from 0 to 57
- addition of newly constructed pipelines [lines 160 and 161 – 0.12 km of 168.3 mm outside-diameter pipe] to connect to a proposed valve assembly
- addition of newly constructed pipeline [Line 162 – 0.73 km of 273.1 mm outside-diameter pipe]
- addition of newly constructed pipeline [lines 163 through 174 – 6.60 km of 406.4 mm outside-diameter pipe]

2.2 Project alternatives

6. ATCO Pipelines stated that it evaluated three Scotford expansion options, as summarized in Table 1, to meet the area service requirements.

Table 1. Pipeline sizes for each option

| | 3.0 km loop of existing 219.1 mm pipeline (mm) | 1.6 km loop existing 168.3 mm pipeline (mm) | Extend system with 2.3 km long pipeline (mm) | Install 1 km of lateral pipeline (mm) |
|----------------------------|--|---|--|---------------------------------------|
| Option A | 323.9 | 323.9 | 323.9 | 273.1 |
| Option B | 406.4 | 323.9 | 323.9 | 273.1 |
| Option C (selected option) | 406.4 | 406.4 | 406.4 | 273.1 |

Each option includes an Air Products delivery station at LSD 06-31-55-21-W4M with a capacity of 1,860 10³m³/d.

7. Table 2 summarizes the area demand requirements.¹

Table 2. Scotford area demand

| Existing contract demand (10 ³ m ³ /day) | Demand including new contracts (10 ³ m ³ /day) | Area demand forecast (10 ³ m ³ /day) |
|--|--|--|
| 2,086 | 4,856 | 6,195 |

8. Table 3 summarizes the cost and capacity associated with each service expansion option.²

Table 3. Scotford expansion options

| | Capital Cost (\$ 000) | Capacity (10 ³ m ³ /day) | Capacity utilized upon project completion (%) |
|-------------------|-----------------------|--|---|
| Existing capacity | | 2,330 | |
| Option A | 14,625 | 5,219 | 93 |
| Option B | 16,125 | 5,893 | 82 |
| Option C | 16,825 | 6,982 | 70 |

6. ATCO Pipelines stated that larger diameter pipeline looping and extension options for the Scotford Expansion project were investigated because of the level of energy facility congestion in the Scotford area. According to ATCO Pipelines, right-of-way (ROW) space is at a premium and there are competing interests for what space is available. It explained that ROW constraints will limit its future ability to loop the Scotford system after the proposed facilities are constructed and observed that all the Scotford expansion variations presented meet the contractually supported capacity requirements of customers on the system. While it acknowledged that options A and B would have capacities of 5,219 and 5,893 10³m³/d, respectively, it noted that both of these options would fail to meet the Scotford area demand forecast of 6,195 10³m³/d. ATCO Pipelines stated that Option C has a capacity of 6,982 10³m³/d and was the only option capable of meeting the Scotford area demand forecast of 6,195 10³m³/d. NGTL accepted Option C as the preferred option to meet forecast capacity requirements.

¹ Reference Proceeding 3577 Business Case for Scotford Expansion.

² Reference Proceeding 3577 Business Case for Scotford Expansion.

9. Air Products has committed to a contribution in aid of construction in support of the required 273.1 mm lateral and delivery station pressure control. ATCO Pipelines estimated the Air Products contribution to be \$1,455,000 but stated that Air Products will be billed based upon the actual cost. The contribution is incremental to the ATCO Pipelines investment and is included in the project costs. ATCO Pipelines added that in order to increase the reliability of its Scotford transmission system, a new valve assembly will be required at LSD 04-33-55-21-W4M to cross tie the new 406.4 mm Scotford expansion pipeline with the existing 219.1 mm, 168.3 mm and 88.9 mm pipelines in the area.

2.3 Environmental, noise and historical resource assessments

10. ATCO Pipelines stated that it engaged the services of AMEC Environment & Infrastructure (AMEC) to prepare the conservation and reclamation report for this project. ATCO Pipelines submitted its conservation and reclamation report to Alberta Environment and Sustainable Resource Development (ESRD) for approval on September 26, 2014. In its application, ATCO Pipelines committed to comply with the recommendations and mitigation measures set out in the conservation and reclamation report and with any additional recommendations and mitigation measures proposed by ESRD following its review of the report.

11. ATCO Pipelines stated that this project and the environmental protection plan implemented for the project would adhere to the guidelines contained in the *Environmental Protection Guidelines for Pipelines*³ document published by ESRD.

12. ATCO Pipelines indicated that this project would affect Astotin Creek, a watercourse located at LSD 14-28-55-21-W4M. ATCO Pipelines explained that it would cross Astotin Creek using a horizontal directional drill but added that the proposed scope of installation does not involve working within the bed and banks of the river and that the removal operations are to take place outside of the restricted activity period of Astotin Creek, which is from April 16th to June 30th. ATCO Pipelines stated that it would notify ESRD a minimum of 14 days prior to starting construction in accordance with the *Water Act*.

13. ATCO Pipelines stated that any liquids, if present, contained within the pipeline would be captured and disposed of prior to the removal activity.

14. ATCO Pipelines submitted that it would have environmental inspectors on site as required for the duration of construction activities to ensure compliance with all approvals.

15. ATCO Pipelines stated that the proposed metering and regulating station would be located approximately 1.4 km from the closest residence and will be installed adjacent to Range Road 220, one mile south of Township Road 560. ATCO Pipelines engaged the services of Acoustical Consultants Inc. to complete a noise impact assessment⁴ for the proposed site. The assessment also took into account the noise generated by the existing industrial facilities in the area, which showed that noise mitigation would not be required at the site.

16. AMEC completed a historical resources impact assessment for the proposed pipeline, which was submitted to Alberta Culture for approval. *Historical Resources Act* clearance was received on October 3rd, 2014.

³ Environmental Protection Guidelines for Pipelines, <http://environment.gov.ab.ca/info/library/6830>, published July 1994.

⁴ Exhibit 5.00.ATCO-3563, Scotford-Hydrogen-Delivery – NIA.

2.4 Consultation

17. ATCO Pipelines submitted that it notified all landowners and occupants along the ROW in accordance with AUC Rule 020: *Rules Respecting Gas Utility Pipelines* requirements. It also sent notification packages to all landowners within 200 metres of the ROW, who had not already been consulted as directly affected parties. ATCO Pipelines also confirmed that it completed its industry notifications for the project in September 2014.

18. ATCO Pipelines stated that it had not received any objections for the pipeline from landowners, occupants or industry participants and confirmed that there are no outstanding objections or concerns related to the proposed pipelines.

3 Findings

19. The Commission has reviewed the application and has determined that it meets the requirements, including the public involvement and consultation requirements of AUC Rule 020: *Rules Respecting Gas Utility Pipelines*. The Commission observes that there are no outstanding public or industry objections or concerns. The Commission also finds that information in the application submitted by ATCO Pipelines fulfills the requirements of AUC Rule 012: *Noise Control*.

20. The Commission is satisfied that ATCO Pipelines has received the necessary clearances under the *Historical Resources Act*. Further, the Commission accepts ATCO Pipelines' commitment to notify ESRD a minimum of 14 days prior to beginning construction of its crossing of Astotin Creek, in accordance with the *Water Act*.

21. The Commission finds that the environmental information required for the application has been sufficiently identified within the application pre-construction site assessment and conservation and reclamation plan. The Commission expects ATCO Pipelines to satisfy its commitment to follow the specifications presented in the pre-construction site assessment and conservation and reclamation plan and to comply with any additional recommendations and mitigation measures proposed by ESRD.

22. The Commission finds that the project is required to meet forecast demand for the system and that the proposed project is the only option presented with sufficient capacity to meet the Scotford area forecast demand of 6,195 10³m³/d. The Commission concurs with ATCO Pipelines' assessment that installing this project alternative is appropriate because it addresses the ROW space constraints that limits ATCO Pipelines' ability to loop the Scotford system after the proposed project is constructed. The Commission also finds that the incremental cost associated with the proposed option, in comparison to the other options presented in the business case, is reasonable given that the proposed project presents the only option that would have sufficient capacity to meet the Scotford area forecast demand and that future looping to increase capacity in either Option A or Option B may be difficult and costly in the future.

23. The Commission finds that ATCO Pipelines has demonstrated that there is a need for this project and that the applied for project alternative is the best alternative in the circumstances.

24. Based on the foregoing, the Commission finds that approval of the project is in the public interest in accordance with Section 17 of the *Alberta Utilities Commission Act*.

4 Decision

25. Pursuant to Section 11 of the *Pipeline Act* and Section 4.1 of the *Gas Utilities Act*, the Commission approves the amendment to Licence 15386 and Licence 16723 and grants ATCO Pipelines the amended licences as set out in Appendices 1 and 2 – Gas Utility Pipeline – Scotford Expansion Pipeline and Air Products Delivery Lateral Pipeline – Licence 15386 and Licence 16723 – January 23, 2015 (Appendices 1 and 2 will be distributed separately).

Dated on January 23, 2015.

Alberta Utilities Commission

Anne Michaud
Commission Member