



## **ATCO Gas and Pipelines Ltd. (South)**

### **Inland Loop Transmission Pipeline**

**April 6, 2016**

**Alberta Utilities Commission**

Decision 21258-D01-2016

ATCO Gas and Pipelines Ltd. (South)

Inland Loop Transmission Pipeline

Proceeding 21258

Application 21258-A001

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## **1 Decision summary**

1. In this decision, the Alberta Utilities Commission must decide whether to approve an application by ATCO Gas and Pipelines Ltd. (South) to construct an 18.3-kilometre long, 508-millimetre outside diameter pipeline to meet the future demand of the greater Edmonton area. For the reasons outlined in this decision, the Commission approves the application having regard to the social and economic effects of the project and its effects on the environment.

## **2 Introduction and background**

2. ATCO Gas and Pipelines Ltd. (South) (ATCO) filed an application with the Commission seeking approval for an amendment to Licence 16723 pursuant to Section 11 of the *Pipeline Act* and Section 4.1 of the *Gas Utilities Act*, for the following:

- addition of a newly constructed pipeline (lines 175 through 211 for a total length of 18.3 kilometres of 508-millimetre outside-diameter pipeline)
- above-ground valve assemblies at the endpoints of the new pipeline

(the project)

## **3 Discussion**

3. ATCO proposed to install a new 508-millimetre high-pressure, sweet natural gas pipeline with related surface facilities from ATCO's existing Norma control station in the southwest quarter of Section 34, Township 53, Range 18, west of the Fourth Meridian to ATCO's existing Lamont control station in the southeast quarter of Section 5, Township 55, Range 19, west of the Fourth Meridian in Lamont County, Alberta. The purpose of the proposed project is to increase capacity on ATCO's existing Inland transmission system, which carries sweet natural gas into the Fort Saskatchewan and Edmonton areas.

4. In its 2013/2014 general rate application, Proceeding 2322, ATCO stated that the Norma business case identified the Inland Loop project as the next expected capacity expansion project for additional supply to the greater Edmonton area after completion of the Norma project. Subsequent to the Norma project's completion, NOVA Gas Transmission Ltd.'s (NGTL) 2013/2014 integrated system review confirmed that the 508-millimetre Inland Loop transmission pipeline was still required, and at that time, 27 kilometres was the estimated project scope. NGTL's system review highlighted the need to expedite the Inland Looping project due to a change in NGTL's five-year supply/demand forecast. NGTL indicated that the Edmonton area

demand had surpassed the previous forecast, and that local receipts were declining more rapidly than previously forecast. This triggered the inclusion of the 27-kilometre Inland Loop project in ATCO's 2015/2016 general rate application, Proceeding 3577.

5. ATCO stated that further analysis highlighted that a combination of the Inland Loop and Pembina Expansion projects would be required due to the geographic locations of supply available from NGTL mainlines on the west and east sides of ATCO's North Integrated System. NGTL's 2014/2015 forecast highlighted a change in the east versus west supply/demand balance to the integrated ATCO and NGTL system. The new forecast demonstrated that 18 kilometres of Inland Looping would maximize available supply from NGTL's North Lateral, east of Edmonton; however, minimal system capacity would be available through further looping of the Inland transmission system. Constructing an additional nine kilometres of Inland Loop would not provide the hydraulic benefit originally contemplated at the time of filing the 27-kilometre Inland Loop business case, and the Inland Loop, on its own, would not be sufficient to meet the five-year supply/demand forecast.<sup>1</sup>

6. ATCO stated that sufficient supply on NGTL's system is available from the Western Alberta Mainline (WAML) and that ATCO is currently connected to NGTL's WAML through the Pembina transmission system. To meet the additional system capacity required in the five-year supply/demand forecast, the Pembina Expansion project is necessary, regardless of the length of the Inland Loop. NGTL's most recent 2015/2016 design review confirmed that the combined 18-kilometre Inland Loop transmission pipeline and Pembina Expansion projects are both required.<sup>2</sup> This is reflected in the 20-year supply/demand forecast filed in this proceeding (see Appendix A of this decision report) and Table 1 of the responses to round 1 information requests filed in Proceeding 21299.<sup>3</sup>

7. ATCO filed an updated economic comparison between the selected option (alternative 2: 18 kilometres of Inland Loop and the proposed 610-millimetre Pembina Expansion) and two other options, alternatives 1 and 3, showing the cumulative present value cost of service of each, in the table below. The table is an update to that which was provided in the Pembina Expansion business case and supports the decision to reduce the length of Inland Looping from 27 kilometres to 18 kilometres. Alternative 2 was selected because it has the lowest forecast cumulative present value cost of service.

### Cost comparison of alternatives

Case	Description	First Year with Capital Additions	First Year Capital (\$MM)	Long Term Capital (\$MM)	CPVCOS
1	508 mm Pembina Expansion + 18 km Inland Loop	2016	57 (Pembina) 41.6 (Inland)	426.58	309.59
2*	610 mm Pembina Expansion + 18 km Inland Loop	2016	65.9 (Pembina) 41.6 (Inland)	388.20	306.41
3	610 mm Pembina Expansion + 27 km Inland Loop	2016	65.9 (Pembina) 60 (Inland)	406.60	324.54

Notes: Capital costs and cumulative present value cost of service (CPVCOS) values were updated by ATCO from the numbers initially provided by NGTL and included in the Pembina Expansion business case (Exhibit 21299-X0017).

\*The selected option.

<sup>1</sup> Exhibit 21258-X0040, Response to ATCO-AUC-2016FEB08-001(d) Information Request, Page 4 of 10.

<sup>2</sup> Exhibit 21258-X0040, Response to ATCO-AUC-2016FEB08-001(d) Information Request, Page 5 of 10.

<sup>3</sup> Exhibit 21299-X0078, Pembina Expansion Project – responses to round 1 information requests, Table 1 – 20 year Supply/Demand Forecast – Greater Edmonton Area (10<sup>3</sup>m<sup>3</sup>/day), Page 3 of 23.

## 4 Commission process

8. A notice of application was issued by the Commission on February 3, 2016, indicating a deadline of February 24, 2016, for filing submissions to express objections to, concerns about or support for the application. No submissions were received by the deadline set by the Commission.

## 5 Environmental assessment

9. ATCO retained Millennium EMS Solutions Ltd. to complete a conservation and reclamation (C&R) application<sup>4</sup> for this project. Detailed information regarding the existing environmental and land-use conditions of the proposed project site and the anticipated environmental impacts, including mitigation plans, was detailed in the C&R application filed with this application. The C&R application was submitted to the Alberta Energy Regulator (AER) in September of 2015. AER issued a public notice of application on its website, in which it stated that the deadline for submitting statements of concern was January 11, 2016. ATCO received C&R approval for the Inland Loop pipeline from the AER effective March 29, 2016.<sup>5</sup>

10. ATCO added that it would comply with the recommendations and mitigation measures set out in the C&R application and would comply with the AER requirements resulting from its review and approval of the C&R application.

11. ATCO stated that there are no watercourses affected by the proposed route. The proposed route crosses a number of wetlands and three unnamed, unclassified drainages. ATCO indicated it would comply with the Code of Practice in accordance with the *Water Act* for all wetland and drainage crossings.

12. ATCO obtained *Historical Resources Act* clearance from Alberta Culture and Tourism for the project on August 18, 2015. A historical resources impact assessment was not required for the proposed project.

13. ATCO stated that construction of the proposed pipelines and related above-ground valve assemblies is scheduled to start in June of 2016 and be completed by the end of October of 2016. Final cleanup and reclamation activities would be completed following a post-construction reclamation assessment in the late summer of 2017.

## 6 Consultation

14. ATCO stated that it completed consultation and notification in accordance with Rule 020: *Rules Respecting Gas Utility Pipelines*. Public consultation for this project was initiated in March of 2015 and included acquisition of consent to survey, personal consultation and confirmation of non-objection with directly-affected landowners, and delivery of project notification packages to all residents and landowners within 200 metres of the proposed pipeline route. Acquisition of the right-of-way, working space and access required to construct the proposed pipeline was completed in January of 2016. ATCO added that it advertised the project

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<sup>4</sup> Exhibit 21258-X0020, ATCO Inland Loop C&R Application.

<sup>5</sup> Exhibit 21258-X0046, Inland Loop C&R Approval.

in the Lamont Farm and Friends on November 20, 2015 and the Lamont Leader on November 24, 2015.

15. ATCO stated that industry notifications were sent to all operators of licenced pipelines or wells within two kilometres of the proposed pipeline route on September 25, 2015.

16. ATCO indicated that consultation was held with representatives from the Lamont County public works division. The proposed pipeline alignment was established through consultation with impacted stakeholders.

17. ATCO added that there are no outstanding objections or concerns related to this project.

## 7 Findings

18. When deciding whether approval of the proposed facilities is in the public interest, the Commission is required by Section 17 of the *Alberta Utilities Commission Act* to have regard to the project's social and economic effects and its effects on the environment.

19. The Commission has determined that the application meets the requirements of Rule 020, including public involvement and consultation. In this regard, the Commission acknowledges ATCO's confirmation that there are no outstanding public or industry objections or concerns.

20. The Commission accepts ATCO's evidence that the 18-kilometre Inland Loop transmission pipeline is required to meet the additional system capacity required in the five-year supply/demand forecast to avoid a natural gas supply capacity shortfall by the winter of 2016-2017 in the greater Edmonton area resulting from a combination of temperature sensitive demand growth, industrial demand growth and on-system receipt declines. The Commission also notes that the need for the Inland Loop pipeline was approved in Decision 3577-D01-2016.<sup>6</sup>

21. The Commission recognizes ATCO's statement that it will comply with the Code of Practice in accordance with the *Water Act* for all wetland and drainage crossings, and that Alberta Culture and Tourism provided *Historical Resources Act* clearance for this project.

22. ATCO must also comply with the terms and conditions of the C&R approval issued by the AER for the project.

23. Based on the foregoing, the Commission considers the project to be in the public interest in accordance with Section 17 of the *Alberta Utilities Commission Act*.

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<sup>6</sup> Decision 3577-D01-2016: ATCO Pipelines 2015-2016 General Rate Application, Proceeding 3577, February 29, 2016.

## 8 Decision

24. Pursuant to Section 11 of the *Pipeline Act* and Section 4.1 of the *Gas Utilities Act*, the Commission approves the amendment to Licence 16723 and grants ATCO the amended licence as set out in Appendix 1 – Gas Utility Pipeline Licence 16723 to construct the 508 millimetre Inland Loop transmission pipeline – April 6, 2016 (Appendix 1 will be distributed separately).

Dated on April 6, 2016.

### Alberta Utilities Commission

*(original signed by)*

Anne Michaud  
Commission Member

Appendix A

