



ATCO Gas and Pipelines Ltd. (South)

**Transfer of Pipelines from NOVA Gas Transmission Ltd. to
ATCO Gas and Pipelines Ltd. (South)
Tranche 3**

November 2, 2016

Alberta Utilities Commission

Decision 21668-D03-2016

ATCO Gas and Pipelines Ltd. (South)

Transfer of Pipelines from NOVA Gas Transmission Ltd. to

ATCO Gas and Pipelines Ltd. (South)

Tranche 3

Proceeding 21668

Applications 21668-A001 to 21668-A007

November 2, 2016

Published by the:

Alberta Utilities Commission

Fifth Avenue Place, Fourth Floor, 425 First Street S.W.

Calgary, Alberta

T2P 3L8

Telephone: 403-592-8845

Fax: 403-592-4406

Website: www.auc.ab.ca

ATCO Gas and Pipelines Ltd. (South)
Transfer of Pipelines from NOVA Gas Transmission Ltd.
to ATCO Gas and Pipelines Ltd. (South)
Tranche 3

Decision 21668-D03-2016
Proceeding 21668
Applications 21668-A001 to 21668-A007

1 Decision summary

1. In this decision the Commission must decide whether to approve seven licence transfer applications filed by ATCO Gas and Pipelines Ltd. (South) (ATCO). These applications relate to the exchange, or swap, of certain assets between ATCO and NOVA Gas Transmission Ltd. (NGTL) approved by the Alberta Utilities Commission¹ and by the National Energy Board (NEB).² The pipeline assets have been divided into four groups, referred to in this decision as tranches. This decision relates specifically to the transfer of the Tranche 3 pipeline assets from ATCO to NGTL. For the reasons outlined in this decision, the Commission finds that approval of the Tranche 3 licence transfer applications is in the public interest having regard to the social, economic, and other effects of the project, including its effect on the environment.

2 Introduction and background

2.1 Summary of previous “asset swap” proceedings

2. NGTL and ATCO entered into the Alberta System Integration Agreement in April 2009. This agreement required ATCO, and NGTL, subject to regulatory approvals, to swap ownership of certain physical pipeline assets within distinct operating territories or “footprints” in Alberta (asset swap), and to work together in Alberta under a single rates and services structure, while maintaining separate ownership, management and operation of their assets.

3. The asset swap was approved in principle by the Commission in Decision 2010-228³ and in the NEB Decision RHW-1-2010. When evaluating the asset swap and considering whether the no harm test was satisfied, the Commission considered the overall benefits of integration when weighed against specific costs identified in the asset transfer approval application and decided that the requirement of the no harm test was met as it relates to concerns regarding service quality, reliability and increased costs to customers.

4. Under the asset swap, ATCO is transferring 393 pipeline segments totaling 1,249 kilometres (km) in length to NGTL and is receiving 171 pipeline segments totaling

¹ Decision 2012-310: ATCO Gas and Pipelines Ltd. - Asset Swap Application, Proceeding 1723, Application 1608166, November 22, 2012.

² Exhibit 21379-X0098, NGTL – Integration Assets Transfer.

³ Decision 2010-228: ATCO Pipelines – 2010-2012 Revenue Requirement Settlement and Alberta System Integration, Proceeding 223, Application 1605226, May 27, 2010.

1,440 km in length from NGTL. ATCO will also acquire 85 net⁴ new meter stations and will transfer one compressor station.⁵

5. The Commission considered ATCO's asset swap application in Proceeding 1723 and approved that application in Decision 2012-310. In that decision the Commission found as follows:

Based on its review of the evidence in this proceeding, the Commission is satisfied that AP has met the requirement of the no harm test, specifically as it relates to concerns regarding service quality, reliability, and increased costs to customers, which has been applied by the Commission in determining whether to approve a disposition under Section 26(2)(d) of the *Gas Utilities Act*.

...Nevertheless, the implications of the Asset Swap for rate-making purposes should not be construed as approved by this decision and remain subject to further scrutiny and determination in AP's next general rate application(s).⁶

6. The Commission considered the rate impacts of the asset swap in Decision 3577-D01-2016.⁷ In that decision, the Commission approved the one-time capital, operating and maintenance costs, and ongoing operating and maintenance cost increases associated with the swapped assets. The Commission accepted a placeholder amount of zero for the resulting net book value balance, on the premise that any differences in net book value would be trued-up in a future proceeding.

7. ATCO and NGTL decided to transfer these assets to each other in four tranches. The asset swap was commercially completed by ATCO and NGTL on September 1, 2016,⁸ with the exchange of assets in Tranche 4. The remaining steps in the process include completion of land rights transfers, finalization of the licence transfer process, and monetary adjustments.

8. The first set of pipeline transfer applications, tranches 1, 2 and 2a were filed on March 1, 2016. The Tranche 1 and Tranche 2 applications were registered in Proceeding 21369; the Tranche 2a applications were registered in Proceeding 21379. The Commission subsequently issued a notice of application for these two proceedings.

9. The Consumers' Coalition of Alberta (CCA) filed a statement of intent to participate which outlined its concerns with respect to the applications. In its submissions, the CCA expressed concerns about the age of some of the assets, their location in urban areas, their continued usefulness and the potential for future costs related to integrity management. The CCA's concerns were primarily related to pipelines that are being transferred from NGTL to ATCO. While the CCA filed their submissions in Proceeding 21379, the concerns it expressed related to assets being transferred in all four tranches.

⁴ ATCO will gain 115 additional stations and lose 30 stations to NGTL as a result of the asset swap.

⁵ Decision 3577-D01-2016, ATCO Pipelines 2015-2016 General Rate Application, Proceeding 3577, paragraph 243.

⁶ Decision 2012-310: ATCO Gas and Pipelines Ltd. - Asset Swap Application, Proceeding 1723, Application 1608166, November 22, 2012, paragraph 52.

⁷ Decision 3577-D01-2016: ATCO Pipelines – 2015-2016 General Rate Application, Proceeding 3577, February 29, 2016.

⁸ NGTL's asset swap application was approved by the NEB on October 16, 2014.

10. On November 2, 2016 the Commission issued Decision 21379-D21-2016⁹ in which it approved the transfer of the Tranche 2a pipelines from NGTL to ATCO. The Commission reviewed the issues raised by the CCA and concluded that it would not address those issues that addressed the no-harm test, cost allocation and NGTL rate design issues. Regarding the CCA's remaining concerns about the age, usefulness, safety, integrity and communications compatibility of the assets transferred from NGTL to ATCO, the Commission found that ATCO had demonstrated that it took reasonable steps to evaluate the compliance of the assets with regulatory and legislative requirements and ATCO's own operational standards. The Commission also found that the transferred assets can be effectively integrated into ATCO's integrity management system and operated safely.

2.2 The current applications

11. The Tranche 3 applications were registered as applications 21668-A001 to 21668-A007 on June 1, 2016. Application 21668-A001 is for the transfer of segments of the East Calgary Lateral Pipeline from NGTL to ATCO. Applications 21668-A002 to 21668-A007 are for the transfer of various pipeline segments throughout Alberta from ATCO to NGTL. The pipeline segments in these applications are listed in Schedule A. ATCO filed the Tranche 3 pipeline assets pursuant to sections 9 and 11 of the *Pipeline Act* and Section 4.1 of the *Gas Utilities Act*.

12. On June 16, 2016, the Commission issued a notice of application via email to registered parties on Proceeding 1723, which dealt with the exchange of assets of approximately equal net book value between ATCO and NGTL. The Commission did not receive any submissions. However, the Commission held this proceeding in abeyance pending its decision in Proceeding 21379 in which it addressed the general issues raised by the CCA with respect to all of the assets that would be the subject of the licence transfer applications, including the Tranche 3 assets.

3. Commission findings

13. The Commission finds that the general concerns expressed by the CCA with respect to the assets swaps have been adequately addressed with respect to the Tranche 3 assets. Specifically, the Commission has reviewed the applications and has determined that they meet the requirements stipulated in Rule 020: *Rules Respecting Gas Utility Pipelines*. The Commission further finds that ATCO took reasonable steps to evaluate the compliance of the Tranche 3 assets with regulatory and legislative requirements and it is satisfied that the assets being transferred from NGTL to ATCO in Tranche 3 can be effectively integrated into ATCO's integrity management system and operated safely.

4 Decision

14. The Commission has previously found the asset transfers associated with integration between NGTL and ATCO to be in the public interest. Based on the foregoing, the Commission

⁹ Decision 21379-D21-2016: ATCO Gas and Pipelines Ltd. (South) – Transfer of Pipelines from NOVA Gas Transmission Ltd. to ATCO Gas and Pipelines Ltd. (South) Tranche 2a, Proceeding 21379, Applications 21379-A001 to 21379-A017, November 2, 2016.

considers the licence transfers to be in the public interest in accordance with Section 17 of the *Alberta Utilities Commission Act*.

15. Pursuant to Section 11 of the *Pipeline Act* and Section 4.1 of the *Gas Utilities Act*, the Commission approves the transfer of pipelines from NGTL to ATCO in Tranche 3 and grants ATCO a new licence to replace lines 1-4 and 6-11 of NGTL Licence 80113, Appendix 1, to be issued pending pipeline database updates. The Commission approves the amendments to licences 1735, 1818, 3598, 8212, 8947 and 26879 and grants ATCO the amended licences as set out in the following appendices to transfer pipelines in Tranche 3 from ATCO to NGTL:

- Appendix 2 – Gas Utility Pipeline Licence 1735 – November 2, 2016.
- Appendix 3 – Gas Utility Pipeline Licence 1818 – November 2, 2016.
- Appendix 4 – Gas Utility Pipeline Licence 3598 – November 2, 2016.
- Appendix 5 – Gas Utility Pipeline Licence 8212 – November 2, 2016.
- Appendix 6 – Gas Utility Pipeline Licence 8947 – November 2, 2016.
- Appendix 7 – Gas Utility Pipeline Licence 26879 – November 2, 2016.

16. The appendices will be distributed separately.

Dated on November 2, 2016.

Alberta Utilities Commission

(original signed by)

Neil Jamieson
Commission Member

Schedule A

Pipelines transferred from NGTL to ATCO pertaining to Alberta Energy Regulator (AER)/NEB Licence 80113:

- lines 1-4 and 6-11, 42.26 km of 558.8-millimetre outside diameter (OD) pipe (East Calgary Lateral)
- line 5, 0.12 km of 323.9-millimetre OD pipe (East Calgary M/S)
- modification of “To and From Location” facility codes of lines 4, 6, 9 and 11
- modification of base map for lines 4, 6, 9 and 11

Pipeline transferred from ATCO to NGTL pertaining to AUC Licence 1735:

- line 1, 1.69 km of 42.2-millimetre OD pipe (Gem Transmission Pipeline)

Pipeline transferred from ATCO to NGTL pertaining to AUC Licence 1818:

- line 1, 7.94 km of 60.3-millimetre OD pipe (Hussar Transmission Pipeline)

Pipeline transferred from ATCO to NGTL pertaining to AUC Licence 3598:

- line 1, 2.90 km of 42.2-millimetre OD pipe (Cremona Transmission Pipeline)
- modification of “From Location” LSD and section of line 1

Pipeline transferred from ATCO to NGTL pertaining to AUC Licence 8212:

- line 1, 8.06 km of 42.2-millimetre OD pipe (Lundbreck-Cowley Transmission Pipeline)

Pipeline transferred from ATCO to NGTL pertaining to AUC Licence 8947:

- line 1, 14.14 km of 42.2-millimetre OD pipe (Lomond Transmission Pipeline)
- modification of base map for line 1
- modification of “To Location” LSD of line 1

Pipeline transferred from ATCO to NGTL pertaining to AUC Licence 26879:

- line 1, 1.96 km of 60.3-millimetre OD pipe (Rocky Mountain House Forest Products Lateral Pipeline)