



**AltaGas Utilities Inc.**

**Pipeline Replacement in the Drumheller Area**

**August 15, 2017**

**Alberta Utilities Commission**

Decision 22440-D01-2017

AltaGas Utilities Inc.

Pipeline Replacement in the Drumheller Area

Proceeding 22440

Application 22440-A001

August 15, 2017

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Alberta Utilities Commission

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## **1 Decision summary**

1. In this decision, the Alberta Utilities Commission must decide whether to approve an application from AltaGas Utilities Inc. for an amendment to Licence 613 for the addition of a new 4.57-kilometre long 114.3-millimetre outside diameter pipeline and a short lateral pipeline to connect the new section (the Drumheller high-pressure (HP) supply line project). After consideration of the record of the proceeding, and for the reasons outlined in this decision, the Commission finds that approval of the project 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. AltaGas Utilities Inc. (AltaGas) filed an application with the AUC seeking approval for the project, which consists of an amendment to Licence 613 pursuant to Section 11 of the *Pipeline Act* and Section 4.1 of the *Gas Utilities Act* to replace existing lines 1, 2, 26 and 27 with the following newly constructed pipelines in the Drumheller area:

- line 35 – 4.57 kilometres of 114.3-millimetre outside-diameter pipeline
- line 36 – 0.01 kilometres of 114.3-millimetre outside-diameter pipeline

3. This application was registered as Application 22440-A001 on February 23, 2017. The requested amendment is part of a pipeline replacement program to replace aging infrastructure (pipelines installed prior to 1957), due to corrosion and weld failure risks. A portion of the high-pressure line feeding the town of Drumheller falls within this category and has been targeted for replacement in 2017 based on a risk assessment. AltaGas proposed to replace its existing 114.3-millimetre pipeline with line 35, a new 4.57-kilometre long 114.3-millimetre pipeline. A 10-metre long 114.3-millimetre lateral pipeline, line 36, is proposed to connect line 35 to the existing system at line 4. AltaGas will submit an application for abandonment of the replaced sections of pipeline after the new pipeline is installed.

4. A notice of application was issued by the Commission on March 9, 2017 indicating a deadline of March 31, 2017, for filing submissions to express objections, concerns or support with respect to the application. No submissions were received.

## **3 Project need**

5. AltaGas stated that the need for the Drumheller HP supply line project has been identified as part of its Capital Tracker Pipeline Replacement program. The need for this project was addressed in Proceeding 20522 as part of AltaGas's pre-1957 steel replacement program in

Section 3 of Appendix II(a) – Business Case for Replacement of Pre-1957 Steel Pipe in the AltaGas 2016-2017 Capital Tracker Application.<sup>1</sup>

6. In order to receive capital tracker treatment, programs and/or projects must satisfy three criteria established by the Commission in Decision 2012-237.<sup>2</sup> For the assessment of need, programs and/or projects are evaluated against the project assessment requirements of Criterion 1 (the project must be outside of the normal course of the company's ongoing operations). In Decision 20522-D02-2016, the Commission was satisfied that the Drumheller HP supply line project met the assessment of need under Criterion 1 for capital tracker treatment:

188. The Commission has reviewed the information provided on forecast program scope and costs for 2016 and 2017, including the forecast costs for each pipeline replacement, and finds that the forecast information provided by AltaGas supports a finding that the scope, level, timing and forecast costs for the projects in the pipeline replacement program are reasonable. Accordingly, the Commission finds that this program satisfies the project assessment requirement of Criterion 1.<sup>3</sup>

7. Each of the pre-1957 steel pipe replacement projects for which AltaGas requested approval, including the Drumheller HP supply line project, are identified in Table 14 of Section 7.1.4.3 of Decision 20522-D02-2016.<sup>4</sup>

#### **4 Facility sizing considerations**

8. The Commission requested that AltaGas provide an update to the supply and demand forecast for the Drumheller area in order to demonstrate that the sizing and associated capacity of the proposed pipeline replacement is adequate. In response, AltaGas noted that the Town of Drumheller Municipal Development Plan (2008) indicates that “significant population growth in the near future does not appear to be likely.” The municipal development plan utilized “two population growth rates: a moderate annual population growth rate of 1.0% and a higher growth rate of 2.0% per year. Both of these growth rates are significantly higher than has occurred in Drumheller in recent decades”.<sup>5</sup>

9. AltaGas stated that although the town of Drumheller may currently be experiencing a slight decline in population, the Municipal Development Plan's moderate annual population growth rate of 1.0 per cent per year was utilized for the purpose of long-term planning and design of the replacement line.

10. AltaGas stated that it currently has 3,600 customers in the Drumheller valley that will be served by the 114.3-millimetre steel replacement line. The current peak demand is 11,724 m<sup>3</sup>/hr. The supply capacity of AltaGas's existing system with the new 114.3-millimetre line is approximately 22,907 m<sup>3</sup>/hr. Applying one per cent peak demand growth per year, AltaGas

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<sup>1</sup> Exhibit 20522-X0010.03, AUI Application 2014 TU and 2016-2017 CT – Updated 2015-08-20, PDF pages 96 to 103.

<sup>2</sup> Decision 2012-237: Rate Regulation Initiative, Distribution Performance-Based Regulation, Proceeding 566, September 12, 2012, PDF page 134, paragraph 592.

<sup>3</sup> Decision 20522-D02-2016, AltaGas 2014 Capital Tracker True-Up and 2016-2017 Capital Tracker Forecast Application, Proceeding 20522, January 21, 2016, PDF pages 24 and 25, paragraphs 90 and 91 and PDF page 46, paragraph 188.

<sup>4</sup> Decision 20522-D02-2016, PDF page 43.

<sup>5</sup> Exhibit 22440-X0013, IR Response 22440 - Rev 0, page 8, paragraph 2.

considers that the new 114.3-millimetre line has capacity to serve the Drumheller valley for approximately 67 years.<sup>6</sup>

## 5 Environmental assessment

11. In response to information requests from the Commission, AltaGas consulted with a local Alberta Environment and Parks wildlife biologist with respect to the identification of recommended wildlife field surveys and studies for species at risk, including the Northern Leopard Frog. AltaGas retained Basin Environmental Ltd. to conduct environmental surveys and prepare an environmental protection plan<sup>7</sup> for the Drumheller HP supply line project. Field surveys were completed for burrowing owls, sharp-tailed grouse, water birds, raptor nests and amphibians. The environmental protection plan was developed using information collected during environmental studies and investigations conducted by Basin Environmental Ltd. in 2016 and 2017 for the project. Environmental assessments including review of wetlands, soils, fish habitat, vegetation and wildlife were conducted along the project route. In late July 2017, Basin Environmental Ltd. conducted a survey of Northern Leopard Frogs in wetlands along the proposed pipeline right-of-way and recommended maintaining a buffer from one wetland, as well as monitoring procedures during construction. That final study was submitted to the Commission on August 1, 2017.

12. AltaGas stated that the information resulting from the environmental studies was compiled to develop the environmental protection plan, which incorporates the best management practices, environmental legislation and guidelines, as well as the professional judgement of the environmental professionals that provided input into the development of the environmental protection plan.

13. AltaGas stated that the new pipeline would be installed using open-cut trenching methods and horizontal directional drilling at crossing locations and environmentally sensitive areas. Hydrostatic testing would be conducted to pressure-test the pipeline prior to operation and the water for the test would be handled in accordance with the relevant codes of practice.

14. AltaGas submitted a historic resources application to Alberta Culture and Tourism for approval under the *Historical Resources Act*. Alberta Culture and Tourism issued the approval on April 11, 2016.

## 6 Consultation

15. AltaGas indicated that all public and industry consultation and notification requirements have been met and that there are no outstanding objections or concerns related to the application. AltaGas stated that all landowners and occupants have been provided with written notification of the proposed construction, including a general description of the project, and that it received confirmation from landowners, occupants and municipalities that they have no objection to the issuing of the permit.

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<sup>6</sup> Exhibit 22440-X0013, IR Response 22440 - Rev 0, page 8, paragraph 4.

<sup>7</sup> Exhibit 22440-X0017, AltaGas Drumheller High Pressure Gas Supply Pipeline EPP + Appendices July17\_Final – AltaGas Utilities Inc. High Pressure Natural Gas Supply Pipeline Project – Environmental Protection Plan.

## 7 Findings

16. The Commission assessed and approved the need for the Drumheller HP supply line project in Decision 20522-D02-2016.

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

18. The Commission has determined that the application meets the information requirements of Rule 020: *Rules Respecting Gas Utility Pipelines*, including the requirements for public involvement and consultation. The Commission accepts AltaGas's confirmation that a participant involvement program has been conducted and that there are no outstanding public or industry objections or concerns.

19. The Commission finds that the Drumheller HP supply line project's potential environmental impacts have been sufficiently addressed in AltaGas's environmental protection plan filed in support of its application. The Commission accepts AltaGas's commitment to follow the specifications presented in the environmental protection plan in order to reduce the risk of potential adverse environmental impacts associated with construction and operation of the Drumheller HP supply line project.

20. The Commission finds that the proposed project addresses the need to replace the aging infrastructure and to ensure and maintain a safe and reliable supply of natural gas to the town of Drumheller.

21. 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*.

## 8 Decision

22. Pursuant to Section 11 of the *Pipeline Act* and Section 4.1 of the *Gas Utilities Act*, the Commission approves the Drumheller HP supply line project, the amendment to Licence 613 and grants AltaGas the amended licence as set out in Appendix 1 – Gas Utility Pipeline – Licence 613 – August 15, 2017 (Appendix 1 will be distributed separately).

Dated on August 15, 2017.

### Alberta Utilities Commission

(original signed by)

Anne Michaud  
Commission Member