



ATCO Gas and Pipelines Ltd.

Stoney Transit Lateral Transmission Pipeline

August 22, 2018

Alberta Utilities Commission

Decision 23587-D01-2018

ATCO Gas and Pipelines Ltd.

Stoney Transit Lateral Transmission Pipeline

Proceeding 23587

Application 23587-A001

August 22, 2018

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1 Decision summary

1. In this decision, the Alberta Utilities Commission must decide whether it is in the public interest to approve an application by ATCO Gas and Pipelines Ltd. on the need for new pipelines to support ATCO Gas growth in north Calgary and for the construction and operation of approximately 4.3 kilometres of new high-pressure natural gas pipeline and three above-ground facility sites in the city of Calgary to meet the need. After consideration of the record of the proceeding, and for the reasons outlined in this decision, the Commission finds that approval of the need for the proposed project and the construction and operation of the proposed project are in the public interest, having regard to the social and economic effects of the proposed project, including its effects on the environment.

2 Introduction

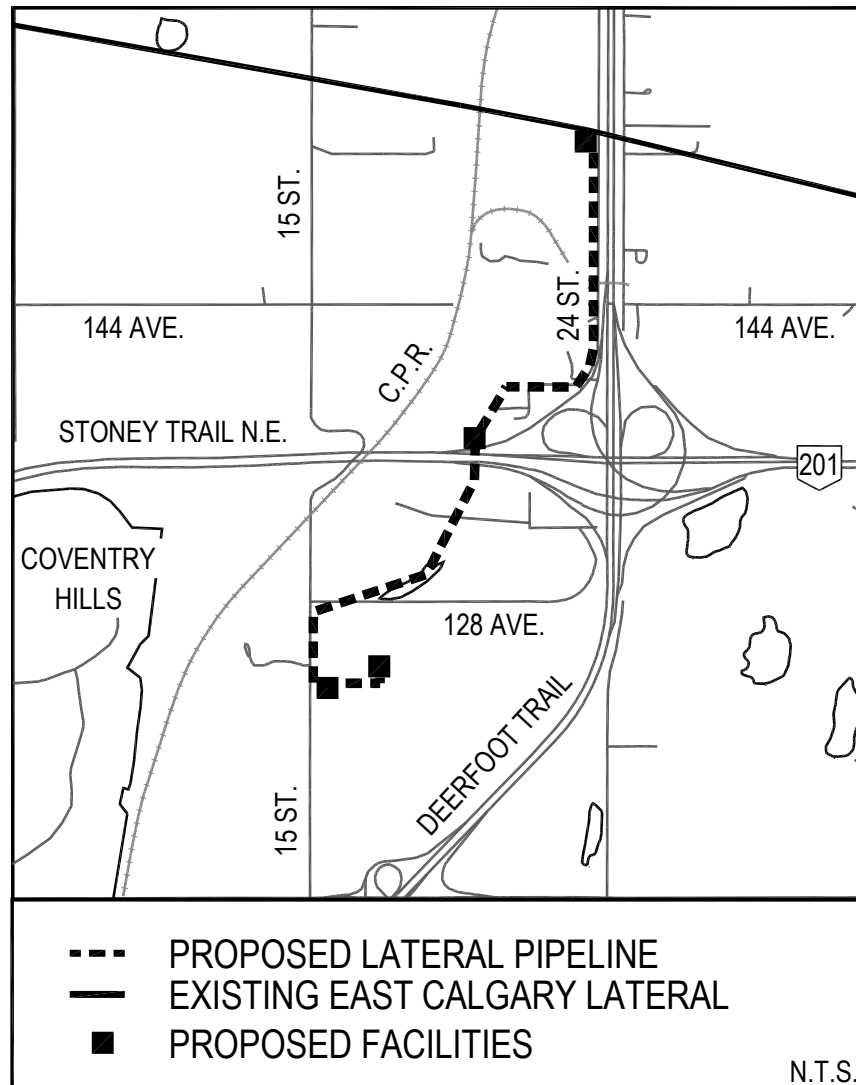
2. On May 25, 2018, ATCO Gas and Pipelines Ltd. (ATCO Pipelines) filed Application 23587-A001 with the Commission seeking approval of the need for new pipelines and for the construction and operation of the Stoney Transit Lateral Transmission Pipeline (project) in the city of Calgary to meet the need, pursuant to Section 11 of the *Pipeline Act* and Section 4.1 of the *Gas Utilities Act*. The application seeks to add the proposed new pipelines to Licence 58534. The project consists of the following:

- addition of a newly constructed pipeline (lines 12 to 25 – 3.97 kilometres of 219.1-millimetre outside-diameter pipeline)
- addition of a newly constructed pipeline (lines 26 and 27 – 0.33 kilometres of 168.3-millimetre outside-diameter pipeline)
- addition of a gate station, the Calgary Stoney Gate Station
- above-ground valve assemblies at the endpoints of the 219.1-millimetre outside-diameter pipeline

3 Background

3. In Application 23587-A001, ATCO Pipelines applied to install approximately 4.3 kilometres of both 219.1-millimetre and 168.3-millimetre outside-diameter high-pressure sweet natural gas pipeline and three above-ground facility sites. The proposed pipeline would connect the existing 559-millimetre outside-diameter East Calgary Lateral Transmission Pipeline through the proposed above-ground facility located at Legal Subdivision 9, Section 1,

Township 26, Range 1, west of the Fifth Meridian to the proposed Calgary Stoney Gate Station located at Legal Subdivision 13, Section 25, Township 25, Range 1, west of the Fifth Meridian. The new gate station will include measurement, pressure control, and telemetry equipment. In addition, ATCO Pipelines has indicated its intention to make a future application for the proposed Nose Creek Gate Station located along the proposed pipeline route. The applied-for route and the proposed facilities are shown in the figure below.



3.1 Project need

4. The need for the project has not been previously established and ATCO Pipelines provided a business case for that purpose that assessed four alternatives. The business case¹ indicates that the project is required to support ATCO Gas's growing natural gas demand in north Calgary including forecast demand at the new City of Calgary Stoney Compressed Natural Gas Bus Storage and Transit Facility in northeast Calgary. Starting in January 2019 and continuing over a five-year period, the City plans to convert its bus fleet to compressed natural

¹ Exhibit 23587-X0002, Stoney Transmission and Calgary Stoney and Nose Creek Gate Stations - Business Case.

gas. The bus fleet will be located and refuelled at this facility. As the bus fleet is converted, the forecast gas demand at the Calgary Stoney Gate Station is expected to increase as shown in Table 1.

Table 1 – Forecast Demand for Calgary Stoney Gate Station

Year	Peak Demand
2019	126 e3m3/day (4.8 TJ/d)
2024	381 e3m3/day (14.7 TJ/d)

5. ATCO Pipelines submitted that forecasted residential and commercial development in north Calgary will necessitate a new gate station to support the build-out of ATCO Gas's distribution system by 2022. The future Nose Creek Gate Station will supply gas to the distribution system north of the Calgary transportation utility corridor (TUC) and support incremental demand over the next 20 years as the north end of the City of Calgary is developed.

6. The project is supported by incremental gas demand and is reflected in firm service contracts between ATCO Gas and NOVA Gas Transmission Ltd. (NGTL). NGTL has provided ATCO Pipelines with scope confirmation and project authorization.² The Stoney Transit Transmission Pipeline and Calgary Stoney Gate Station are forecast to be in service by the first quarter of 2019, while the Nose Creek Gate Station is forecast to be in service by 2022.

3.2 Project alternatives

7. ATCO Pipelines submitted that the proposed project was selected because it has the least cost based on its 20-year cumulative present value revenue requirement (CPVRR) of \$17.9 million and the most effective means of meeting long-term gas demand requirements, including those of the City of Calgary's compressed natural gas transit facility and ATCO Gas's growth requirements in north Calgary. To meet the forecast demand requirements in Table 1, ATCO Pipelines considered four other alternatives as described below.

Alternative 1: Do nothing/status quo

8. Alternative 1 was dismissed as it would not meet the contract demands requested by ATCO Gas or the City of Calgary's compressed natural gas transit facility.

Alternative 2: Install 4.4 kilometres transmission pipeline from Harvest Hills Gate Lateral

9. Alternative 2 considers connecting to the Harvest Hills Gate Lateral with a 4.4 kilometres, 273.1-millimetre outside diameter, high pressure pipeline extension to meet the peak demand of the Calgary Stoney Gate Station. The gate station for this alternative is identical to the station proposed for the project. Growth in north Calgary would be supported by a new

² Under the provisions of a commercial integration agreement between ATCO Pipelines and NGTL, ATCO Pipelines high-pressure pipeline revenue requirements are rolled into NGTL's revenue requirement.

gate station served from the East Calgary Lateral Transmission Pipeline. Alternative 2 was dismissed because it is not the least cost option based on its CPVRR assessment of \$23.4 million. In addition, Alternative 2 provides substantially lower pressure to the City of Calgary's compressed natural gas transit facility, thus increasing the City of Calgary's costs.

Alternative 3: Install 4.3 kilometres transmission pipeline from Jumping Pound West Transmission

10. Alternative 3 considers connecting to the 406.4-millimetre outside diameter, Jumping Pound West Transmission Pipeline with a 4.5 kilometres, 219.1-millimetre outside diameter, high pressure pipeline extension to meet the peak demand of the Calgary Stoney Gate Station. The gate station for this alternative is identical to the station for the project. Growth in north Calgary would be supported by a new gate station served from the East Calgary Lateral Transmission Pipeline. Alternative 3 was dismissed because it is not the least cost option based on its CPVRR assessment of \$23.1 million. In addition, Alternative 3 provides substantially lower pressure to the City of Calgary's compressed natural gas transit facility, increasing the City of Calgary's costs.

Alternative 4: Install 4.3 kilometres transmission pipeline and 2.5 kilometres of high pressure looping from East Calgary Lateral

11. Alternative 4 is similar to the proposed project, and proposes connecting to the East Calgary Lateral Transmission Pipeline with a 4.3 kilometres, 168.3-millimetre outside diameter high pressure pipeline to meet the peak demand of the Calgary Stoney Gate Station at full build-out. However, the sizing of a 168.3-millimetre outside diameter pipeline does not account for the long-term incremental demand associated with the future Nose Creek Gate Station. The gate station for this alternative is identical to the station proposed for the project.

12. Similar to the proposed project, growth in north Calgary would be supported by a new gate station connected to the proposed 168.3-millimetre outside diameter transmission pipeline. A 406.4-millimetre outside diameter ATCO Gas feeder main would be installed north from the station and would support long-term system growth in north Calgary. In 2024, to maintain adequate delivery pressures to Calgary Stoney Gate Station, a 2.5 kilometres, 88.9-millimetre outside diameter, high pressure ATCO Pipelines loop would be necessary between the East Calgary Lateral Transmission Pipeline and Nose Creek Gate Station. Alternative 4 was dismissed because it is not the least cost option based on its CPVRR assessment of \$18.9 million.

4 Commission process

13. The Commission issued a notice of application on June 15, 2018. The notice was sent directly to all landowners, occupants and residents along the proposed route, was advertised in the Calgary Herald and the Calgary Sun and made available on the AUC website.

14. Mr. Brad Grenier filed the only statement of intent to participate with respect to the project.

15. On July 30, 2018, ATCO Pipelines advised the AUC that Mr. Grenier no longer objected to the proposed project. Because Mr. Grenier withdrew his objection to the project and no other

person filed a statement of intent to participate, the Commission did not hold a hearing on the application.

5 Environmental assessment

16. ATCO Pipelines retained CH2M Hill Energy Canada Ltd. to complete a pre-construction site assessment and environmental protection plan³ for this project. ATCO Pipelines committed to implementing all recommendations included within the environmental protection plan. ATCO Pipelines also confirmed that it would comply with the Code of Practice in accordance with the *Water Act* for all watercourse, wetland and drainage crossings.

17. ATCO Pipelines stated that a historical resources application was submitted on May 4, 2018 to Alberta Culture and Tourism for approval and confirmation and that no further assessment would be required for the project. *Historical Resources Act* approval has not yet been granted. ATCO Pipelines indicated that it would complete and submit a historical resources impact assessment prior to construction if it is deemed necessary by Alberta Culture and Tourism.

18. ATCO Pipelines engaged FDI Acoustics to complete a noise impact assessment⁴ for the proposed Calgary Stoney Gate Station located at Legal Subdivision 13, Section 25, Township 25, Range 1, west of the Fifth Meridian. The assessment demonstrated that noise mitigation would not be required at the site and that the station would meet the requirements of Rule 012: *Noise Control*.

6 Consultation

19. ATCO Pipelines stated that it completed consultation and notification for the project in accordance with Rule 020: *Rules Respecting Gas Utility Pipelines*. ATCO Pipelines obtained confirmation of non-objection from directly and adversely affected landowners. The consultation included the publishing of a notice for the proposed project in the Calgary Herald and Calgary Sun on May 4, 2018. ATCO Pipelines also indicated that industry notifications were sent to all operators of licenced pipelines or wells within a one section buffer surrounding the proposed pipeline route on March 9, 2018.

20. ATCO Pipelines completed consultations with Alberta Infrastructure, Alberta Transportation, the City of Calgary and other stakeholders in selecting the alignment of the proposed pipelines and facility locations for the project. The City of Calgary reviews and approves the alignment of utilities within municipal public thoroughfares, and Alberta Infrastructure reviews and approves the alignment of utilities within the Calgary TUC and roads.

21. ATCO Pipelines received letters from the City of Calgary⁵ and Alberta Transportation⁶ stating that they have no objections to the project.

³ Exhibit 23587-X0010, Pre-construction Site Assessment and Environmental Protection Plan.

⁴ Exhibit 23587-X0009, FDI Acoustics Noise Impact Assessment.

⁵ Exhibit 23587-X0021, City of Calgary Letter of Non-Objection.

⁶ Exhibit 23587-X0020, Alberta Transportation Letter of Non-Objection.

22. With respect to development in the Calgary TUC, Section 4(2) of the *Calgary Restricted Development Area Regulations* states:

No Minister of the Crown, government official or government agency shall, without the written consent of the Minister of Infrastructure, exercise any power under the *Municipal Government Act*, *The Pipeline Act, 1975*, *the Water Resources Act* or any other Act to order, authorize, approve, permit or consent to any operation or activity that causes, is likely to cause or will cause a surface disturbance of any land in the Area, or issue or cause to be issued any order, authorization, approval, permit, licence or consent instrument for that purpose.

23. ATCO Pipelines indicated that it received a letter from Alberta Infrastructure⁷ stating that it has no objections to the project and that Ministerial Consent for the project within the Calgary TUC would be issued subsequent to Commission approval.

7 Findings

24. Approval for new gas utility pipelines in Alberta generally follows two separate application processes. One process sets rates to allow the gas utility to recover its prudently incurred costs. In the rate process, the gas utility seeks the Commission's approval for the forecast capital expenditures for new pipeline facilities within the context of a utility rate application pursuant to the *Gas Utilities Act*. In its general rate application, the gas utility includes a business case for the new pipeline project that describes the need or justification for the new project, the alternatives available to meet that need, and the utility's choice of the best alternative.

25. The Commission's assessment of the business case is 'economic' in nature and includes a cost benefit analysis, supply-demand forecasts, safety and security of supply analyses and rate impact analyses. However, there is generally little consideration of site-specific impacts and, consequently, potentially-affected landowners have generally not been part of the general rate application process.

26. In the other application process, the gas utility seeks the Commission's approval to construct and operate a pipeline pursuant to the *Pipeline Act* and the *Gas Utilities Act*. This application for a facility generally focuses on the site-specific impacts of the project. When deciding whether to approve a facility application, the Commission evaluates the justification for the project as configured and its site-specific impacts. The need for the project, including its economic benefits, is weighed or balanced against any adverse social, economic and environmental effects to determine the proposed project's acceptability.

27. While gas utilities in Alberta generally follow these two application processes for the approval of new gas utility pipeline projects in the order presented above, there is no statutory requirement that they proceed in this fashion.

28. The Commission's Rule 020 allows for an applicant to apply for both the need and the facility in a single proceeding. Pursuant to these provisions in Rule 020, a gas utility can seek approval to construct and operate a new gas utility pipeline under the *Pipeline Act* and the

⁷ Exhibit 23587-X0019, Alberta Infrastructure Letter of Non-Objection.

Gas Utilities Act without prior approval of the associated forecast capital expenditures. In that case, the Commission would consider the need for the project, the alternatives, and the specific routing, all within the facility proceeding, without approving the forecast rate increases necessary to recover the project's costs.

29. In this application, ATCO Pipelines is requesting approval of both the need for the project as well as approval of the construction and operation of the project specified to meet the need.

30. The Commission finds that ATCO Pipelines' business case supports the need for the project given the uncontroverted evidence on ATCO Gas's growing natural gas demand in north Calgary. The growing demand is based on forecast demand at the new City of Calgary Stoney Compressed Natural Gas Bus Storage and Transit Facility in northeast Calgary and the increased forecast demand at the Calgary Stoney Gate Station as shown in Table 1. Accordingly, the Commission finds that ATCO Pipelines has demonstrated that there is a need for the project.

31. The Commission finds that the installation of the 4.3 kilometres of both 219.1-millimetre and 168.3-millimetre outside-diameter high-pressure sweet natural gas pipeline option provides the most effective means of meeting the long-term demand requirements. With respect to the other alternatives presented, the Commission accepts that ATCO Pipelines' recommended alternative has the lowest 20-year CPVRR with the associated expectation of providing the lowest cost service.

32. As a result, the Commission finds that the proposed Stoney Transit Lateral Transmission Pipeline will meet the current and future contractual demands to support ATCO Gas's growing natural gas demand in north Calgary including forecast demand at the new City of Calgary Stoney Compressed Natural Gas Bus Storage and Transit Facility in northeast Calgary.

33. When deciding whether approval of the project to meet the need 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.

34. The Commission has reviewed the application and has determined that it meets the information requirements of Rule 020.

35. The Commission accepts that ATCO Pipelines' conducted a participant involvement program in accordance with Rule 20 and finds that the participant involvement was adequate.

36. The Commission has reviewed the environmental protection plan for the project and notes that ATCO Pipelines has committed to implementing all recommendations in the environmental protection plan. In addition, ATCO Pipelines has committed to complying with the Code of Practice under the *Water Act* for all watercourse, drainage and wetland crossings. In light of these commitments, the Commission finds that the potential environmental impacts of the project are sufficiently mitigated.

37. The Commission acknowledges that ATCO Pipelines has submitted a historical resources application to Alberta Culture and Tourism for approval and confirmation and that no further assessment is required for the project. Although a *Historical Resources Act* approval has not yet

been granted, ATCO Pipelines will need to obtain the necessary approvals from Alberta Culture and Tourism prior to construction of the project.

38. The Commission also finds that the noise impact assessment submitted by ATCO Pipelines was conducted in accordance with Rule 012 and the project meets the permissible sound levels set out in the rule.

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

40. The Commission will issue a licence for the construction and operation of the project upon receipt of the Minister of Infrastructure's written consent for construction within the Calgary TUC.

8 Decision

41. Pursuant to sections 3.1 (2) and 11 of the *Pipeline Act* and Section 4.1 of the *Gas Utilities Act*, the Commission approves the application and will issue the amended licence after receipt of the Ministerial Consent for construction within the Calgary TUC.

Dated on August 22, 2018.

Alberta Utilities Commission

(original signed by)

Tracee Collins
Commission Member