AUC
Alberta Utilities Commission

August 17, 2018 **Decision 23682-D01-2018**

ATCO Gas and Pipelines Ltd.
7210 42 Street N.W.
Edmonton, Alta. T6B 3H1

Attention: Jason Cunha, P. Eng.
Project Engineer, Major Projects

East Calgary Lateral Pipeline
Licence 58534
Proceeding 23682
Application 23682-A001

Minor pipeline project application

1. ATCO Gas and Pipelines Ltd. (ATCO), by Application 23682-A001 registered on June 22, 2018, filed an application with the Alberta Utilities Commission under Section 11 of the *Pipeline Act* and Section 4.1 of the *Gas Utilities Act* for the following in the town of Cochrane:

- splitting line 7 into lines 7, 28 and 29
- lines 7 and 29 are to remain in operation
- line 28 is to be abandoned in place and then recorded as abandoned under a subsequent application
- addition of newly constructed pipeline (line 30 – 0.88 kilometres of 558.8-millimetre outside diameter pipeline)
- addition of newly constructed pipeline (line 31 – 0.40 kilometres of 558.8-millimetre outside diameter pipeline)

2. The proposed work is related to the minor split and replacement of existing pipe within the original right-of-way, previously constructed and operating in accordance with approvals granted in Licence 58534.

3. ATCO proposed to replace approximately 1.28 kilometres of the existing 558.8-millimetre outside diameter East Calgary Lateral Pipeline within the existing right-of-way to accommodate a change in class location as described in Canadian Standards Association (CSA) Z662 *Oil and Gas Pipeline Systems*, due to the Sunset Ridge neighbourhood development. ATCO also proposed to install a mainline block valve assembly in Legal Subdivision 5, Section 16, Township 26, Range 3, west of the Fifth Meridian.

4. In its business case,[1] ATCO stated that the Sunset Ridge development has been constructed within Cochrane town boundaries, adjacent to ATCO's existing 558.8-millimetre

[1] Exhibit 23682-X0002, East Calgary Lateral – 559 mm – Transmission Class Location – Replacement – Business Case.

outside diameter East Calgary Lateral Pipeline. This new development has caused a class location change for 1.28 kilometres of the East Calgary Lateral from the current Class 2 designation to Class 3. The existing segment of the 558.8-millimetre outside diameter East Calgary Lateral Pipeline does not meet the requirements of CSA Z662-15 for a Class 3 location, at its current licenced maximum operating pressure (MOP) of 6,590 kilopascals. In order to comply with CSA Z662-15 code requirements, the pipeline segment needs to be replaced with a pipeline that has a greater wall thickness and/or higher material grade. In addition, to comply with CSA Z662-15 valve spacing requirements for the new Class 3 designation, a new mainline block valve is also required. The total cost of the project is estimated at $4,575,000.

5. Although ATCO indicated that its preferred alternative is to replace 1.28 kilometres of the existing 558.8-millimetre outside diameter East Calgary Lateral Pipeline, as part of its business case, two other alternatives were discussed as follows:

Alternative 1: Do nothing/status quo

6. ATCO stated that the first alternative considers maintaining the status quo, however, status quo is not a feasible alternative because it would not address the non-compliance with CSA Z662-15 code requirements and this alternative was dismissed.

Alternative 2: Reduce MOP of the East Calgary Lateral Pipeline

7. ATCO stated that the second alternative considers a decrease in MOP of the existing East Calgary Lateral Pipeline from 6,590 kilopascals to 4,587 kilopascals to meet CSA Z662-15 requirements for Class 3 pipelines. This alternative would require the installation of a pressure regulating station at the NOVA Gas Transmission Ltd. (NGTL) Foothills Interconnect to provide pressure control and overpressure protection for the lower MOP of 4,587 kilopascals. A mainline block valve assembly would still be required in this alternative to comply with valve spacing requirements.

8. In its business case, ATCO explained that while the pipeline would continue to be capable of meeting current forecast demand at the reduced MOP, the loss of hydraulic capacity associated with a reduced MOP would necessitate a new supply project for the Calgary area by 2024. The future supply project would consist of approximately 32 kilometres of 610-millimetre outside diameter pipeline from the NGTL system near Crossfield to northeast Calgary at an estimated capital cost of $110 million. This pipeline would be necessary to make up for lost capacity associated with the East Calgary Lateral Pipeline MOP reduction, and provide future supply for forecast growth in the Calgary area. This results in a higher cumulative present value of revenue requirement (CPVRR) as shown in the table below.

Alternatives	Description	First Year with Capital Additions	First Year Capital ($000)	Long Term Capital ($000)	20 Yr. CPVRR ($000)
Project	Replacement	2018	4,520	0	4,211
2	Reduce MOP	2018	3,750	110,000	57,669

9. ATCO further explained that the loss of hydraulic capacity associated with a decreased MOP negatively impacts security of supply within the city of Calgary. The existing 558.8-millimetre outside diameter East Calgary Lateral Pipeline will form the north segment of the Urban Pipeline Replacement (UPR) ring, connecting to the proposed Northwest Calgary Connector and existing Northeast Calgary Connector pipelines. This loss of hydraulic capacity due to a reduction in MOP would jeopardize the ability to maintain supply to the UPR ring in the event of an outage. Therefore, this alternative was rejected.

10. ATCO prepared an environmental evaluation report[2] for the proposed project. The Commission accepts ATCO's statement that all recommendations included in the environmental evaluation report would be implemented. Specifically, ATCO stated that, during construction, it would comply with the requirements of the *Guide for Pipelines Pursuant to the Environmental Protection and Enhancement Act and Regulations* and industry best practices. The pipeline segment would be tested for liquids prior to abandonment and any liquids found would be removed and properly disposed of.

11. ATCO stated that consultation with landowners and occupants for this work has been completed in accordance with Rule 020: *Rules Respecting Gas Utility Pipelines*. Confirmation of non-objection from directly and adversely affected landowners and occupants has been obtained. Construction of this project is scheduled to commence in the summer of 2018.

8. The Commission issued a notice of application on July 12, 2018, indicating a deadline of August 10, 2018, for filing submissions to express objections to, concerns about, or support for the application. The notice was sent directly to all landowners, occupants and residents, and was advertised in the Cochrane Times and the Rocky View County newspaper. No submissions were received by the August 10, 2018 submission deadline.

12. The Commission accepts ATCO's submission that the need for the project has arisen to ensure compliance with CSA Z662-15 class location code requirements.

13. The Commission finds that the preferred alternative is the least cost alternative that addresses the change in class location, ensuring compliance with CSA requirements, while preserving capacity to supply the city of Calgary.

14. ATCO has provided information respecting the need, nature and extent of the project. Because the project involves limited ground disturbance and is within the original right-of-way, ATCO assessed the resultant environmental impact of the work as limited. The landowners and occupants of the affected lands did not object to the project.

15. Based upon the information provided, ATCO has demonstrated that the proposal is of a minor nature, no person other than the landowners and occupants of the land upon which the project takes place will likely be directly affected by the proposal, and no significant adverse environmental impact will be caused by the proposed project.

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[2] Exhibit 23682-X0005, Environmental Evaluation Report.

16. The Commission approves the application. In approving the application, however, the Commission makes no determination regarding the regulatory treatment of the costs of the assets to be removed, retired or abandoned pursuant to the application, the costs incurred in carrying out these activities, or the associated rate implications. The amended licence is attached.

Alberta Utilities Commission

(original signed by)

Brian Shand, P. Eng.
Director, Gas Facilities
On behalf of the Alberta Utilities Commission

Attachment