



AltaGas Utilities Inc.

**Paddle Prairie Compressor Station Installation
Mackenzie County**

October 11, 2018

Alberta Utilities Commission

Decision 23918-D01-2018

AltaGas Utilities Inc.

Paddle Prairie Compressor Station Installation

Mackenzie County

Proceeding 23918

Application 23918-A001

October 11, 2018

Published by the:

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 approval to install a new compressor station as a pipeline installation under Licence 40699. After consideration of the record of the proceeding, and for the reasons outlined in this decision, the Commission approves the application.

2 Introduction and background

2. AltaGas Utilities Inc. (AltaGas), by Application 23918-A001 registered on September 25, 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* to install a new compressor station as a pipeline installation under Licence 40699.

3. AltaGas stated that AltaGas and the Northern Lights Gas Co-op Ltd. (NLGC) are co-owners of a 53-kilometre long high-pressure natural gas transmission pipeline that supplies the areas of High Level, La Crete and the surrounding rural areas within Mackenzie County. AltaGas is the operator of this pipeline and all operating costs are shared equally between AltaGas and NLGC.

4. AltaGas explained that due to recent changes in the production of natural gas into this pipeline, the system will no longer be able to maintain adequate pressure to supply AltaGas and NLGC's natural gas utility customers during the winter. To remedy this situation, AltaGas is proposing to install a new 462-kilowatt compressor station to increase pressure within the pipeline. The estimated capital cost of this project is \$1.23 million and all costs would be shared equally between AltaGas and NLGC.

5. AltaGas provided a complete need assessment for this project in its business case¹ in accordance with Rule 020: *Rules Respecting Gas Utility Pipelines*, Section 3.4. In its business case, AltaGas stated that on February 26, 2018, production was halted on several of the natural gas wells owned by Long Run Exploration Ltd. that had been used as a source of gas supply to the co-owned pipeline. Due to this decrease in gas supply, the pipeline system requires additional gas through an existing connection to TransCanada Pipelines Limited's (TCPL) Paddle Prairie Lateral Pipeline. However, during peak gas demand in the winter, the connection to TCPL is unable to maintain adequate pressure for AltaGas and NLGC to operate their downstream pipeline systems, which increases the risk of outages.

¹ Exhibit 23918-X0007, Business Case.

6. AltaGas also stated that it explored alternatives to address the issue of inadequate pressures on the AltaGas/NLGC pipeline system that would be capable of maintaining gas service to existing AltaGas and NLGC customers for the 2018/2019 winter season. The alternatives examined included liquefied natural gas peaking, a new pipeline, and contracted compression service by a third-party utilizing an existing single compressor unit.

7. AltaGas determined that the most cost effective and reliable solution that would meet the criteria for operational availability in the 2018/2019 winter would be the installation of two leased compressors with a combined output of 462 kilowatts. The compressor installation would be at the existing AltaGas gas purchase point between TCPL's Paddle Prairie Lateral Pipeline and the AltaGas/NLGC pipeline. This proposed installation would provide adequate pressures in the system for at least the next three years to support the current growth forecast. The two compressors would each be capable of meeting the required pressure requirements and would provide backup reliability to each other. AltaGas also stated that in early 2018, this approach was successfully tested when a temporary gas compressor was installed to mitigate an outage event to allow the system to maintain adequate pressures. The capital cost associated with the installation of the compressors would be approximately \$1.23 million, with annual operating costs of approximately \$0.53 million. The annual operating costs for the two compressors would include the lease cost, operator labour, cost of gas and a maintenance service agreement. Both capital and operating costs would be shared between AltaGas and NLGC based on their equal partnership interest in the pipeline.

8. AltaGas stated that AltaGas and NLGC would subsequently examine future alternatives to meet the longer-term demand requirements.

3 Environmental assessment

9. The location of the proposed installation is a completely graveled area with no vegetation that was previously developed and used for storage and parking. Since this project would be entirely within a developed area, AltaGas expects no significant environmental impacts resulting from it.

10. AltaGas also stated that the compressor station would have a NOx emission rate of 1.06 kilograms/hour and would comply with all NOx emission requirements in Rule 020, Section 6.8.19.2.

11. AltaGas submitted a noise impact assessment² and a noise impact assessment summary form³ as part of its application in which it predicted the noise levels at the compressor station will be in compliance with the permissible sound levels in Rule 012: *Noise Control*.

4 Consultation

12. AltaGas stated that all landowners, occupants and residents have been provided with written notification of the proposed construction, including a general description of the project,

² Exhibit 23918-X0004, Noise Impact Assessment.

³ Exhibit 23918-X0006, Rule 012 Form - Noise.

and that it received confirmation from landowners, occupants and residents that they have no objection to the project.

5 Findings

13. The Commission accepts the AltaGas analysis identifying the need for a solution that can be effectively implemented in the short-term to alleviate the potential risk for outage situations as a result of inadequate delivery pressures within the AltaGas/NLGC pipeline during the winter months.

14. The Commission accepts AltaGas's conclusion that leasing and the installation of two compressors is the best alternative to provide increased reliability and is the most cost effective option.

15. AltaGas has provided information respecting the need, nature and extent of the project. The Commission accepts AltaGas's assessment that because the project involves limited ground disturbance and is within a previously developed area, the resultant environmental impact of the work is limited. The Commission also accepts AltaGas's prediction that the noise levels at the compressor station will be in compliance with the permissible sound levels in Rule 012. The Commission also took into account that the landowners and occupants of the affected lands did not object to the project.

6 Decision

16. Based upon the information provided, the Commission is satisfied that the proposal is of a minor nature, no person will be directly and adversely affected by the proposal, and no significant adverse environmental impact is likely to be caused by the proposed project.

17. 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 grants to AltaGas the amended licence as set out in Appendix 1 – Gas Utility Pipeline - Licence 40699 – October 11, 2018. (Appendix 1 will be distributed separately).

Dated on October 11, 2018.

Alberta Utilities Commission

(original signed by)

Neil Jamieson
Commission Member