



**ATCO Gas and Pipelines Ltd.**

**Pipeline Licence Transfer from Steelhead Petroleum Ltd.**

**February 14, 2019**

**Alberta Utilities Commission**

Decision 24174-D01-2019

ATCO Gas and Pipelines Ltd.

Pipeline Licence Transfer from Steelhead Petroleum Ltd.

Proceeding 24174

Applications 24174-A001 and 24174-A002

February 14, 2019

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## **1 Decision summary**

1. In this decision, the Alberta Utilities Commission must decide whether to approve the applications from ATCO Pipelines, a division of ATCO Gas and Pipelines Ltd. (ATCO Pipelines), to transfer two existing pipelines, line 15 under Licence 15140 and line 1 under Licence 56256, from Steelhead Petroleum Ltd. to ATCO Pipelines. After consideration of the record of the proceeding, and for the reasons outlined in this decision, the Commission finds that the licence transfer applications are in the public interest, having regard to the social and economic effects of the project, including the effects on the environment.

## **2 Introduction and background**

2. On December 20, 2018, ATCO Pipelines filed applications 24174-A001 and 24174-A002 with the Commission seeking approval to transfer two existing pipelines, line 15 under Licence 15140 and line 1 under Licence 56256, from Steelhead Petroleum Ltd. to ATCO Pipelines, pursuant to sections 11 and 18 of the *Pipeline Act* and Section 4.1 of the *Gas Utilities Act*.

3. ATCO Pipelines stated that it acquired approximately 8.7 kilometres of 168.3-millimetre outside diameter pipelines between Legal Subdivision 13, Section 1, Township 26, Range 1, west of the Fifth Meridian and Legal Subdivision 10, Section 35, Township 26, Range 1, west of the Fifth Meridian, on September 6, 2017. These pipelines are proposed to be used to provide incremental gas supply to the city of Airdrie. ATCO Pipelines also stated it would complete an integrity assessment of the pipelines and if they were confirmed fit for service, it will operate a portion of the pipelines at high-pressure and it will transfer the remaining portion to ATCO Gas to be operated at low-pressure distribution service. The portion of the pipeline to be operated at low-pressure distribution service would be facilitated by a new gate station at the high-pressure to low-pressure transition point located in the city of Airdrie.

4. The Commission issued a notice of applications on January 10, 2019, indicating a deadline of February 8, 2019, for filing submissions to express objections, concerns or support with respect to the applications. The notice was advertised in the Airdrie Echo, Airdrie City View, and Rocky View Weekly and made available on the AUC website. The Commission received no submissions.

### 3 Project need

5. ATCO Pipelines stated that the pipeline licence transfers are related to the South Airdrie Lateral – Pipeline Acquisition, which was included in the ATCO Pipelines 2019-2020 General Rate Application under Proceeding 23793.<sup>1</sup> In its business case,<sup>2</sup> ATCO Pipelines stated that the city of Airdrie is currently served by one high-pressure supply pipeline which is the 219.1-millimetre Petrogas Airdrie Transmission Pipeline system. In addition, approximately one-third of the gas consumed in the city of Airdrie is supplied through the Airdrie West Gate Station, which is fed from a 0.9-kilometre, 88.9-millimetre/114.3-millimetre outside diameter high-pressure pipeline lateral, originating at the Petrogas Airdrie Transmission Pipeline.

6. ATCO Pipelines stated that this pipeline project would substantially mitigate the risk of supply loss to the city of Airdrie.

7. ATCO Pipelines further stated that based on forecast demand, it would not be able to meet minimum delivery pressure requirements at the Airdrie West Gate Station by 2022. Therefore, the pipeline acquisition from Steelhead Petroleum Ltd. would allow loads from the Airdrie West Gate Station to be shifted to the proposed South Airdrie Gate Station, resolving the capacity constraint and mitigating the supply risk associated with a single supply source from a single gate station.

### 4 Project alternatives

8. To address the supply loss risk and the forecast capacity shortfall by 2022 due to population growth in the city of Airdrie, ATCO Pipelines considered the six alternatives described below.

#### *Preferred alternative: Acquire 8.7-kilometre South Airdrie Lateral Pipeline*

9. The preferred alternative involves the acquisition of 8.7 kilometres of the 168.3-millimetre South Airdrie Lateral Pipeline. ATCO Pipelines plans to own and operate 6.2 kilometres of the pipeline at high-pressure, from Legal Subdivision 13, Section 1, Township 26, Range 1, west of the Fifth Meridian to the city of Airdrie boundary at Legal Subdivision 15, Section 23, Township 26, Range 1, west of the Fifth Meridian. The remaining 2.5 kilometres of the pipeline would be transferred to ATCO Gas from Legal Subdivision 15, Section 23, Township 26, Range 1, west of the Fifth Meridian to Legal Subdivision 10, Section 35, Township 26, Range 1, west of the Fifth Meridian and operated at low-pressure distribution service. This alternative would require further integrity evaluation of the pipeline to confirm that the pipeline is fit for service and the installation of the South Airdrie Gate Station, located at the city of Airdrie boundary.

10. This alternative was selected because it allows ATCO Pipelines to mitigate the existing risk of supply loss to the city of Airdrie and reduces risks associated with introducing an additional high-pressure pipeline within the city of Airdrie limits by operating the northernmost 2.5 kilometres of the pipeline at distribution pressure.

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<sup>1</sup> ATCO Pipelines, 2019-2020 General Rate Application, Proceeding 23793, Business Case, Attachment 7.2, pages 1-15.

<sup>2</sup> Exhibit 24174-X0002 – South Airdrie Lateral – Business Case.

**Alternative 1: Do nothing/status quo**

11. Alternative 1 involves leaving the Petrogas Airdrie Transmission Pipeline system and the supply into the city of Airdrie unchanged. ATCO Pipelines dismissed this alternative because it would not meet forecast contract demands and minimum delivery pressure requirements within the next five years, resulting in loss of downstream customers. Furthermore, the city of Airdrie's risk of supply loss cannot be addressed by this alternative.

**Alternative 2: Airdrie West Lateral pipeline loop**

12. Alternative 2 considers the installation of piecemeal facilities as needed to meet forecast growth requirements over a 20-year period. This would include approximately two kilometres of pipeline loop to be installed in 2022 as follows:

- 0.9 kilometres of 168.3-millimetre outside diameter pipeline loop on the existing 88.9-millimetre/114.3-millimetre Airdrie West Lateral Pipeline
- 1.2 kilometres of 168.3-millimetre outside diameter pipeline loop on the 114.3-millimetre segment of the Petrogas Airdrie Transmission Pipeline

13. Then in 2024, there would be an upgrade to the current Airdrie West Gate Station and in 2032, an additional 7.9 kilometres of 219.1-millimetre outside diameter pipeline loop would be installed on the 219.1-millimetre Petrogas Airdrie Transmission Pipeline. As shown in the business case, substantial facility additions would be required over the course of the 20-year design review period, resulting in a higher cumulative present value revenue requirement (CPVRR) than that of the proposed project. Alternative 2 was not selected as it is not the least cost alternative and it does not reduce the city of Airdrie's risk of supply loss.

**Alternative 3: Sierra Springs Lateral Pipeline extension**

14. Alternative 3 proposes the installation of piecemeal facilities as needed to meet forecast growth requirements over a 20-year period. This alternative also requires the installation of the South Airdrie Gate Station in 2022. The facilities and infrastructure associated with this station are identical to the proposed project, but with a change in location.

15. In 2022, a total of 11.5 kilometres of combined pipeline loop and extension would be installed as follows:

- 3.6 kilometres of 168.3-millimetre outside diameter pipeline extension of the 168.3-millimetre Sierra Springs Lateral Pipeline
- 7.9 kilometres of 219.1-millimetre outside diameter pipeline loop on the 219.1-millimetre Petrogas Airdrie Transmission Pipeline

16. Then in 2033, an additional 4.1 kilometres of 168.3-millimetre outside diameter pipeline looping would be installed on the 168.3-millimetre Sierra Springs Lateral Pipeline. As illustrated in the business case, substantial facility additions would be required over the 20-year design review period. Alternative 3 was not selected as it is not the least cost alternative and it does not reduce the city of Airdrie's risk of supply loss.

**Alternative 4: Acquire 8.7 kilometre South Airdrie Lateral Pipeline and operate the entire length at high-pressure**

17. Alternative 4 considers the acquisition and operation of the entire 8.7 kilometres of pipeline at high-pressure. The proposed South Airdrie Gate Station would be installed at a different location. This alternative was not selected as it is not the least cost alternative based on the combined ATCO Gas/ATCO Pipelines CPVRR. In addition, Alternative 4 adds additional high-pressure pipeline within the city of Airdrie limits, resulting in elevated risk of future class location changes and the potential for future costs.

**Alternative 5: Acquire 8.7 kilometre South Airdrie Lateral Pipeline and defer operation until 2022**

18. Alternative 5 proposes the acquisition of the entire 8.7 kilometres of pipeline and the delay of capital expenditures necessary to integrate the pipeline asset into the ATCO Pipelines System and Integrity Management Program until 2022.

19. While Alternative 5 is the least cost alternative, it was not selected due to the existing risk of supply loss to the city of Airdrie. ATCO Pipelines is able to mitigate these risks with a relatively minor amount of work, and has therefore, proposed to integrate the acquired South Airdrie Lateral into its system in 2019.

**5 Commission findings**

20. The Commission finds that ATCO Pipelines' business case supports the need for the project to mitigate the risk of supply loss and meet the future capacity demands due to population growth in the city of Airdrie. Accordingly, the Commission finds that ATCO Pipelines has demonstrated that there is a need for the project.

21. The Commission finds that the preferred alternative of acquiring and transferring existing pipelines, line 15 under Licence 15140 and line 1 under Licence 56256, from Steelhead Petroleum Ltd. to ATCO Pipelines will best meet the need because it would increase the security of supply to the city of Airdrie while reducing risks associated with introducing an additional high-pressure pipeline within the city of Airdrie limits by operating the northernmost 2.5 kilometres of the pipeline at distribution pressure. This alternative alleviates the dependency on a single high-pressure supply and will accommodate forecasted future capacity demands in the city of Airdrie.

22. When deciding whether the approval of the proposed pipeline transfers to meet the need, and the integration of these pipelines and their operation into ATCO Pipelines' system are 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.

23. Based on the foregoing, the Commission considers the proposed pipeline transfers and the integration of these pipelines and their operation into ATCO Pipelines' system to be in the public interest. In making this finding, the Commission has not assessed the forecast costs for this project or the prudence of actual capital additions to rate base. These matters are subject to

examination in the ATCO Pipelines 2019-2020 General Rate Application, which is in the record development stage in Proceeding 23793. Accordingly, the Commission will not make a determination on costs of the transfers in this proceeding.

24. With the exception of the findings in the previous paragraph on the testing of costs in Proceeding 23793, the Commission has reviewed the transfer applications and has determined that the applications meet the associated requirements stipulated in Rule 020: *Rules Respecting Gas Utility Pipelines*.

## 6 Decision

25. Pursuant to Section 11 of the *Pipeline Act* and Section 4.1 of the *Gas Utilities Act*, the Commission approves the transfer of the existing pipelines, line 15 under Licence 15140 and line 1 under Licence 56256, from Steelhead Petroleum Ltd. to ATCO Pipelines, and the integration of these pipelines and their operation into ATCO Pipelines' system subject to the conditions listed below. It is hereby ordered that:

- (1) ATCO Pipelines shall file a summary of the results of the pipeline integrity assessment confirming that the pipelines are fit for service.
- (2) ATCO Pipelines shall provide a noise impact assessment for the proposed pressure regulating station before the pipelines are placed into service.

26. The amended licences will be issued upon approval of the pipeline transfer by the Alberta Energy Regulator, and the further review of the pipeline integrity assessment and noise impact assessment for the associated pressure regulating station.

Dated on February 14, 2019.

### Alberta Utilities Commission

*(original signed by)*

Tracee Collins  
Commission Member