



ATCO Gas and Pipelines Ltd.

Elmworth FTU Relocation and New Customer Tie-In Project

April 30, 2025

Alberta Utilities Commission

Decision 29935-D01-2025

ATCO Gas and Pipelines Ltd.

Elmworth FTU Relocation and New Customer Tie-in

Proceeding 29935

Application 29935-A001

April 30, 2025

Published by the:

Alberta Utilities Commission

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1 Decision summary

1. In this decision, the Alberta Utilities Commission considers whether to approve an application by ATCO Gas and Pipelines Ltd. for the need to relocate an existing farm tap unit (FTU) and to construct and operate 175 metres of new 88.9-millimetre high-pressure natural gas pipeline and related above-ground facilities. The new pipeline and facilities are proposed to address safety issues associated with existing facilities and to supply a new ultra-high-use customer.

2. After consideration of the record of the proceeding, and for the reasons in this decision, the Commission finds that approval of the project is in the public interest, having regard to the need for the project, and the social, economic and other effects of the project, including its effects on the environment.

2 Introduction and background

2.1 Application details

3. On March 20, 2025, ATCO Gas, a division of ATCO Gas and Pipelines Ltd., filed Application 29935-A001 with the Commission seeking approval of the need to relocate an existing FTU and to construct and operate a high-pressure natural gas pipeline (the project), pursuant to Section 9 of the *Pipeline Act* and Section 4.1 of the *Gas Utilities Act*. ATCO Gas is seeking to add the following new high-pressure pipeline to a new licence:

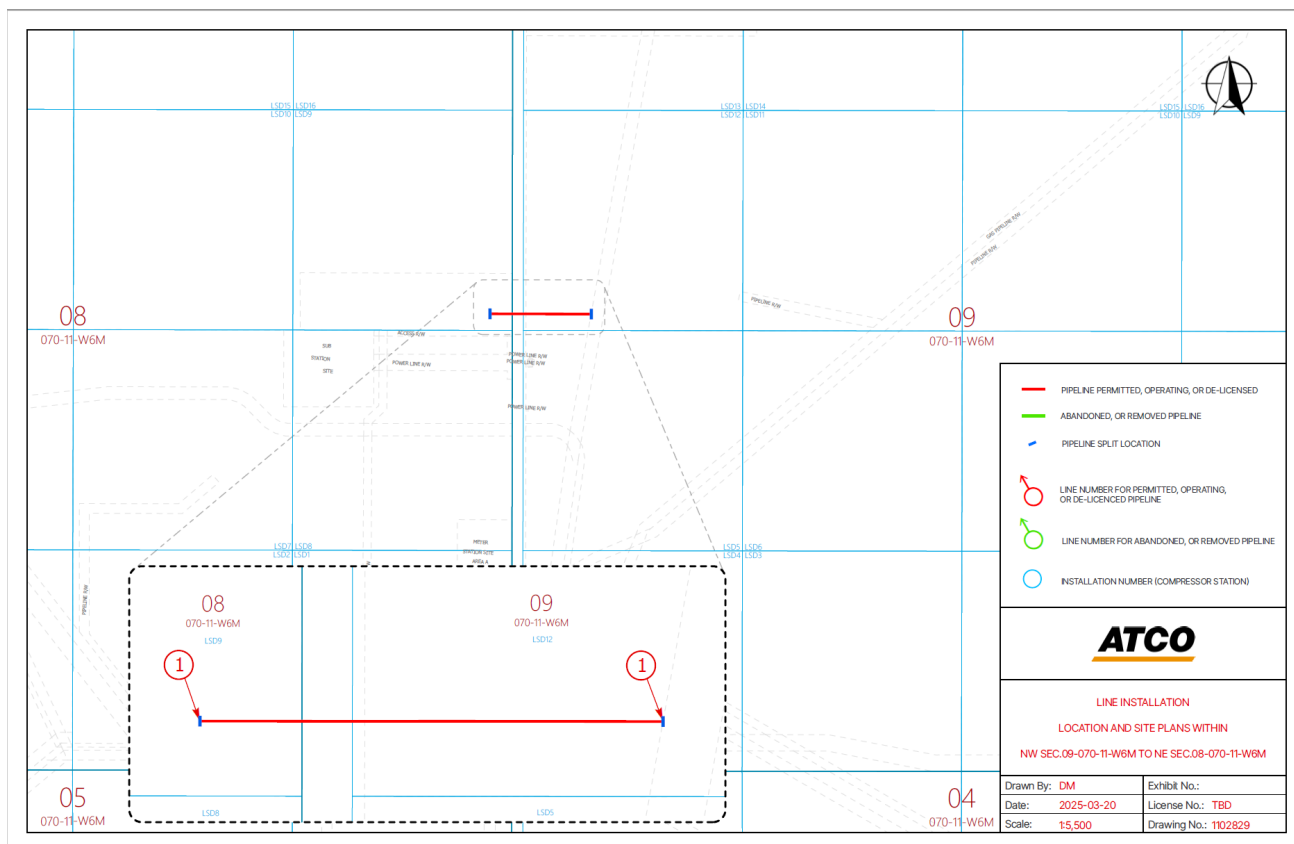
- Line 1 – 175 metres of 88.9-millimetre outside-diameter pipeline¹

4. The project would be constructed entirely on private lands from a tap point on an existing NOVA Gas Transmission Ltd. (NGTL) high-pressure transmission pipeline located in the northwest quarter of Section 9, Township 70, Range 11, west of the Sixth Meridian, to a proposed metering/regulator station located in the northeast quarter of Section 8, Township 70, Range 11, west of the Sixth Meridian. The project would be located in the Elmworth, Alberta area.

¹ ATCO Gas and Pipelines Ltd. is applying for a new licence for Line 1. The licence number has yet to be determined.

5. The applied-for route and the proposed facilities are shown in Figure 1.

Figure 1. Pipeline route and associated facilities²



6. ATCO Gas included a project need assessment³ as part of the application as the need for the project was not previously established.

7. ATCO Gas indicated that it conducted public consultation and notification for the project in accordance with Table A1-2 of Rule 007: *Applications for Power Plants, Substations, Transmission Lines, Industrial System Designations, Hydro Developments and Gas Utility Pipelines*. ATCO Gas indicated that no concerns were identified during its participant involvement program and that it obtained confirmation of non-objection from directly and adversely affected landowners.

8. ATCO Gas retained Maskwa Environmental Consulting Ltd. to prepare an environmental evaluation report and environmental protection plan for the project. Maskwa conducted a desktop review of the area and stated that the project will take place within an existing road allowance and on privately owned and cultivated lands surrounding the existing Elmworth facilities. Maskwa confirmed that no watercourses exist in the area but one temporary graminoid marsh is located in the project footprint. As such, Maskwa has confirmed that *Code of Practice* notifications are required to be submitted to the Alberta Energy Regulator, under the *Water Act*. Maskwa asserted that with the implementation of all mitigations included in the environmental

² Exhibit 29935-X0005, LIC TBD 1102829 Installation.

³ Exhibit 29935-X0006, Elmworth Gate Station Needs Application Business Case.

protection plan, and with the application of best management practices, the impacts to the environment are not expected to be significant.

9. ATCO Gas stated that a *Historical Resources Act* approval has been received.

3 Project need, alternatives, cost and economic assessment

3.1 The need for the project

10. ATCO Gas provided a business case in its application which indicated that the project is required for two reasons: (i) to relocate the existing Elmworth FTU to a more suitable location, and (ii) to supply the natural gas requirements of a customer's nearby power plant facility. ATCO Gas indicated that need for the project was originally limited to relocating the Elmworth FTU, but the customer requested service before the original scope could be finalized. ATCO Gas then began working with the customer and subsequently amended the original project scope to address both project needs.

11. ATCO Gas explained that the existing FTU is located within a wetland in the southwest quarter of Section 16, Township 70, Range 11, west of the Sixth Meridian. The constant ground movement in the wetland has tilted the piles supporting the FTU resulting in safety and operational concerns to downstream customers. The existing FTU cannot be upgraded in its current location and needs to be relocated to a more suitable location. ATCO Gas stated that the existing FTU and the associated 60.3-millimetre high-pressure transmission pipeline servicing it, would be abandoned as part of the project scope.

12. ATCO Gas also explained that a customer has applied to ATCO Gas requesting firm transportation delivery of 3,200 gigajoules per day (GJ/d) of natural gas for its power plant. ATCO Gas stated that the need for the tie-in project is established as it stems from the executed service agreement between ATCO Gas and its customer. The customer requested that natural gas be delivered to its power plant at a pressure of approximately 1,034 kilopascals (kPa). As such, ATCO Gas has proposed to install a pipeline lateral and a new metering/regulator station that would contain pressure regulation, overpressure protection, a line heater, measurement, and associated supervisory control and data acquisition (SCADA). The proposed pipeline would tie into NGTL's nearby 406.2-millimetre high-pressure pipeline and deliver natural gas to the new metering/regulator station located at the customer's site.

13. ATCO Gas stated that the FTU relocation project coinciding with the customer's natural gas service request resulted in the FTU being upgraded to a metering/regulator station and being relocated to a location at the customer's site.

14. ATCO Gas stated that the in-service date for supplying gas to its customer is October 2026.

3.2 Project alternatives

15. ATCO Gas stated in its business case that the project was selected because it was the lowest cost and lowest risk alternative that could meet the delivery requirements of its customer. Nevertheless, ATCO Gas considered two other alternatives to the project, as described below.

Alternative 1: Do nothing

16. Alternative 1, maintaining the status quo, was dismissed by ATCO Gas because doing nothing would not address the need for service under the executed customer contract.

Alternative 2: Install metering/regulator station north of the existing FTU and install a new lateral to the customer

17. In Alternative 2, ATCO Gas considered siting the metering/regulator station adjacent to the existing FTU location while sourcing gas from the same NGTL 406.2-millimetre high-pressure pipeline. A new lateral pipeline section would then be installed from the metering/regulator station directly to the customer's site. This new lateral section would consist of installing approximately 1.2 kilometres of new 88.9-millimetre pipeline.

18. The estimated total project cost of Alternative 2 was \$6.355 million of which \$6.105 million was associated with the capital cost of the project and \$250,000 was the removal cost. This alternative was ultimately rejected by ATCO Gas due to the higher capital cost requirement.

3.3 Project cost and economic assessment

19. ATCO Gas estimated the total project cost to be approximately \$4.606 million, of which approximately \$4.356 million is the associated capital cost of the project and \$250,000 is the removal cost. Of the \$4.606 million total project cost, approximately \$3.9 million is associated with the FTU relocation and lateral pipeline installation. Approximately \$700,000 of the total project cost is driven by the customer to upgrade the FTU to a larger metering/regulator station to accommodate the customer's service requirements. ATCO Gas estimated the operations and maintenance cost of the project to be approximately one per cent of the total capital cost. The capital cost breakdown for the project is shown in Table 1.

Table 1. Project capital costs (\$000)⁴

	Engineering	Materials	Land	Construction	AFUDC*	Total
2022	3	12	1	0	0	16
2023	165	506	62	141	7	882
2024	125	301	60	338	18	841
2025	381	179	203	1764	10	2,537
2026	3	6	0	67	4	81
Total	677	1,004	326	2,310	39	4,356

* Allowance for funds used during construction

⁴ Exhibit 29935-X0006, Elmworth Gate Station Needs Application Business Case, PDF page 4, Table 1.1.

20. ATCO Gas conducted an economic assessment and cost comparison of the alternatives, which is summarized in Table 2. The 20-year cumulative present value revenue requirement (CPVRR) for the proposed project is approximately \$1.473 million less than Alternative 2.

Table 2. Economic assessment of alternatives (\$000)⁵

Option	Description	First-Year with Capital Additions	First-Year Capital (\$000)	Long-Term Capital (\$000)	20-Year CPVRR (\$000)
Project	Install new metering/regulator station on customer quarter section and extend high-pressure lateral	2025	4,120	236	3,912
Alternative 2	Install new metering/regulator station north of Elmworth FTU and extend high-pressure lateral to customer	2025	5,875	230	5,385

4 Commission findings

4.1 Application

21. When deciding whether approval of the 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 the effects of the project on the environment.

22. The Commission notes that the division of ATCO Gas and Pipelines Ltd., ATCO Gas, is the proponent of this high-pressure natural gas pipeline application, and not the ATCO Pipelines division. ATCO Gas indicated that the project siting is outside of the ATCO Pipelines investment footprint as defined in the Alberta System Integration Agreement.⁶ As such, ATCO Pipelines cannot build this project whereas ATCO Gas can. ATCO Gas stated that this a stand-alone project and there are no ATCO Gas facilities in the area that can service this customer's request. The Commission agrees that this is a stand-alone project under ATCO Gas as the project siting is outside of ATCO Pipelines' investment footprint as defined in the Alberta System Integration Agreement. This high-pressure pipeline would be owned and operated by ATCO Gas and the capital costs would be included in the ATCO Gas rate base.

23. The Commission has reviewed the application and has determined that it meets the information requirements of Rule 007. The Commission finds that ATCO Gas's participant involvement program also meets the requirement of Rule 007 and accepts that there are no outstanding public or industry objections or concerns.

24. The Commission finds that the environmental information required for the application has been sufficiently addressed within the environmental evaluation and environmental protection plan. Given that the project will be located within an existing disturbance and the pipeline is only 175 metres in length, the Commission accepts Maskwa's assertion that with the implementation of all mitigations included in the environmental protection plan, and with the

⁵ Exhibit 29935-X0006, Elmworth Gate Station Needs Application Business Case, PDF page 6, Table 3.1.

⁶ In April 2009, NGTL and ATCO Pipelines entered into the Alberta System Integration Agreement which offered its customers the benefits of entering into a single contract for transportation services on the integrated Alberta natural gas transmission system.

application of best management practices and protocols, the impacts to the environment are not expected to be significant.

4.2 Project need

25. As described in Rule 007, the need for the project can be assessed by the Commission through a general rate application or a facility application, whichever comes before the Commission first. In this instance, the project need is being assessed in the facility application.

26. The Commission has reviewed the application and finds that ATCO Gas's business case supports the need for the project given an executed firm transportation delivery agreement exists between ATCO Gas and its customer in the Elmworth area. In addition, the Commission finds the relocation of the existing FTU necessary due to safety and operational concerns related to its current location within a wetland. Accordingly, the Commission finds that ATCO Gas has demonstrated there is a need for the project and that ATCO Gas's considered alternative is not a cost-effective option in delivering natural gas to its customer.

27. The Commission notes that the project scope includes the abandonment of the existing FTU and its associated 60.3-millimetre high-pressure transmission pipeline. The abandonment of the 60.3-millimetre pipeline is not directly applied for in this application; consequently, the Commission expects ATCO Gas to submit a subsequent application for the abandonment of this pipeline.

28. Based on the foregoing, the Commission considers that there is a need for the proposed project and it is in the public interest to approve the construction and operation of the project in accordance with Section 17 of the *Alberta Utilities Commission Act*.

4.3 Project cost

29. The Commission's role in this proceeding is to assess the need for the proposed pipeline and to determine whether approval of ATCO Gas's preferred alternative is in the public interest. An important component of the Commission's assessment of the project is the costs for the alternatives assessed by ATCO Gas. In this capacity, the Commission's task is not to determine whether the proposed costs are prudent but rather, the Commission considers the estimated project costs to assess the reasonableness of the alternatives proposed as part of its overall assessment of whether approval of the preferred alternative is in the public interest.

30. ATCO Gas estimated the total cost of the project to be \$4.606 million while the alternative considered was estimated to be \$6.355 million. The Commission notes that these costs are inclusive of the \$250,000 removal costs associated with the existing FTU and its associated pipeline.

31. The Commission finds that the project is the more cost-effective solution of those presented to deliver natural gas to ATCO Gas's customer.

32. The Commission makes no determination regarding the final regulatory treatment or the ultimate prudence of the costs.

5 Decision

33. Pursuant to Section 9 of the *Pipeline Act* and Section 4.1 of the *Gas Utilities Act*, the Commission approves the need to relocate an existing FTU and to construct and operate 175 metres of new 88.9-millimetre high-pressure natural gas pipeline and related above-ground facilities.

34. The licence will be issued to ATCO Gas and Pipelines Ltd. by the Commission upon issuance of a new licence number by the Alberta Energy Regulator's OneStop system. Accordingly, the Commission directs ATCO Gas and Pipelines Ltd. to file with the AUC confirmation of the assigned OneStop system licence number for line 1 within 90 days of issuance of this decision.

Dated on April 30, 2025.

Alberta Utilities Commission

(original signed by)

Carolyn Dahl Rees
Chair