



**Apex Utilities Inc.**

**Drumheller High Pressure Pipeline Project**

**November 30, 2023**

**Alberta Utilities Commission**

Decision 28498-D01-2023

Apex Utilities Inc.

Drumheller High Pressure Pipeline Project

Proceeding 28498

Application 28498-A001

November 30, 2023

Published by the:

Alberta Utilities Commission

Eau Claire Tower

1400, 600 Third Avenue S.W.

Calgary, Alberta T2P 0G5

Telephone: 310-4AUC (310-4282) in Alberta  
1-833-511-4AUC (1-833-511-4282) outside Alberta

Email: [info@auc.ab.ca](mailto:info@auc.ab.ca)

Website: [www.auc.ab.ca](http://www.auc.ab.ca)

The Commission may, no later than 60 days of the date of this decision and without notice, correct typographical, spelling and calculation errors and other similar types of errors and post the corrected decision on its website.

## **1 Decision summary**

1. In this decision, the Alberta Utilities Commission considers whether it is in the public interest to approve an application by Apex Utilities Inc.(Apex) to construct and operate approximately 1,040 metres of new 114.3-millimetre high-pressure natural gas pipeline, in the town of Drumheller, Alberta.
2. After consideration of the record of the proceeding, and for the reasons outlined in this decision, the Commission finds that approval of the proposed project is in the public interest, having regard for the need for the project, and the social, economic and other effects of the proposed project, including its effects on the environment.

## **2 Application details**

3. Apex Utilities Inc., by Application 28498-A001, registered on September 28, 2023, filed an application for approval to install approximately 1,040 metres of new 114.3-millimetre natural gas pipeline as line 37 under Licence 613. Apex has proposed to construct the Drumheller High Pressure Pipeline Project, in the first quarter of 2024.
4. The new 114.3-millimetre pipeline that Apex has proposed to install would replace approximately 210 metres of existing 114.3-millimetre pipeline<sup>1</sup> and approximately 140 metres of 88.9-millimetre pipeline.<sup>2</sup> The purpose of this project is to relocate the existing natural gas supply that crosses the Red Deer River due to an insufficient depth-of-coverage that was discovered on the pipeline. The proposed pipeline would be installed in an area of the river with lower scour and erosion zones to minimize the risk of damage and potential outages. Apex indicated that the existing sections of pipeline that currently cross the Red Deer River to supply the northern part of the town of Drumheller would be abandoned in place.<sup>3</sup>
5. Apex included a business case<sup>4</sup> and project need assessment<sup>5</sup> as part of the application as the need for the project was not previously established.
6. The proposed pipeline project would be sited within the town of Drumheller and would be installed from Legal Subdivision 4 of Section 11, Township 29, Range 20, west of the Fourth Meridian to Legal Subdivision 9 of Section 10, Township 29, Range 20, west of the Fourth Meridian. The proposed pipeline route is shown in Figure 1.

---

<sup>1</sup> This segment of Line 17 is proposed to be split from Line 17 and redesignated as Line 38.

<sup>2</sup> Line 16.

<sup>3</sup> Apex intends to file a checklist application for a abandonment of lines 16 and 38 within 90 days of abandonment.

<sup>4</sup> Exhibit 28498-X0001, Business Case.

<sup>5</sup> Exhibit 28498-X0009, Gas Utility Pipeline Need Assessment Application Form.

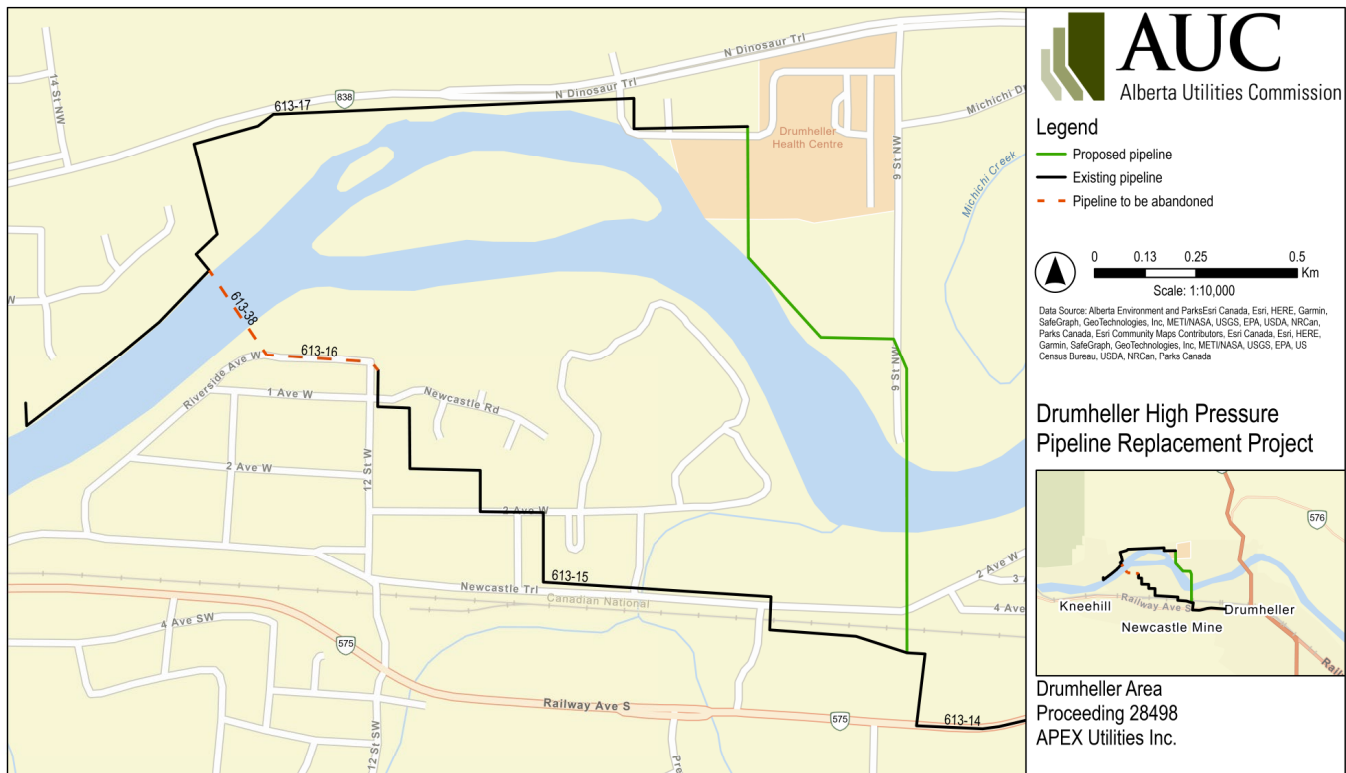


Figure 1: Project map

7. A participant involvement program was completed for the project in accordance with Section 13 of Rule 007: *Applications for Power Plants, Substations, Transmission Lines, Industrial System Designations, Hydro Developments and Gas Utility Pipelines*. Apex indicated that no concerns were identified during its consultation and notification process and that it obtained confirmation of non-objection from directly and adversely affected landowners.

8. Apex retained Vertex Professional Services Ltd. to prepare an environmental evaluation and protection report<sup>6</sup> for the proposed project. Apex 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 with industry best practices. Apex indicated that as part of the construction plan, horizontal directional drilling will be utilized to cross the Red Deer River. As such, Apex included a frac-out<sup>7</sup> response plan and contingency program in the event that a frac-out occurs while drilling. Specifically, Apex stated that winter operations require increased diligence in recognizing frac-outs under snow and ice and so snow removal maybe required as needed. The topsoil would be stripped and stored, and all surface disturbances would be backfilled before the topsoil is returned. Apex has reviewed aerial images of the proposed site and confirmed that three watercourses exist within the project footprint. As such, Apex has confirmed that a *Code of Practice for Watercourse Crossings* (Government of Alberta, 2019) notification is required to be submitted to the Alberta Energy Regulator a minimum of 14 days prior to construction commencement. Apex also confirmed that a *Code of*

<sup>6</sup> Exhibit 28495-X0003.01, Environmental Protection Plan (as revised November 1, 2023).

<sup>7</sup> Release of drilling fluid into the environment.

*Practice for the Temporary Diversion and Release of Water for Hydrostatic Testing of Pipelines (Government of Alberta, 1999)* notification to Alberta Environment and Protected Areas is also required.

9. A *Historical Resources Act* approval for the project was obtained on September 11, 2023.

### **3 Background and project need**

10. Apex stated that during its annual pipeline surveillance activities it discovered that the section of pipeline that crosses the Red Deer River was exposed within the riverbed. As a result of the inadequate depth-of-coverage, Apex indicated that the risk of leaks, corrosion and damage to this section of pipeline was significantly higher and could ultimately result in outages for its customer base. Therefore, Apex has proposed to replace the existing pipeline with a new pipeline at a location under the Red Deer River with lower erosion and scouring potential. Overall, Apex indicated that the project need was established due to the safety and operational concerns that the existing pipeline currently presents.

### **4 Business case**

11. As part of its application submission, Apex filed a business case<sup>8</sup> with the Commission outlining the need for the proposed project, the three alternatives it considered, and how it reached the conclusion that the proposed project was the best alternative.

12. The three alternatives considered by Apex were:

1. Do nothing.
2. Replace the pipeline near the existing alignment.
3. Install the replacement in a new alignment at a different location.

13. Apex indicated that alternative one was not viable because the pipeline would continue to operate while being exposed in the riverbed. Apex stated that the increased risk of corrosion and damage from river debris was unacceptable, and that the outcome could be a natural gas outage to over 320 customers.

14. Apex indicated that alternative two would require a new waterbody crossing in close proximity to the existing pipeline alignment but outside of the estimated scour and erosion zones for a one in a 100-year flood. Apex stated that this alternative was not suitable due to the geological conditions, hydrotechnical design requirements and the existing residential developments and infrastructure on either side of the existing pipeline. Apex stated that the temporary workspace concerns and the anticipated disruption to the surrounding residents renders this alternative unviable.

15. Apex stated that alternative three was the most viable due to it having the shortest route distance and being the most cost effective option that does not involve significant disruption to

---

<sup>8</sup> Exhibit 28498-X0001-Business Case.

surrounding residents. Apex indicated that there are no temporary workspace concerns associated with this alternative as there are suitable locations on either side of the river to house the project equipment and materials.

16. Apex prepared a cost estimate for the project assuming alternative three as the project route. Alternative one and alternative two were not evaluated from a cost perspective as they were deemed unfeasible by Apex. Apex estimated the capital cost of the proposed project to be \$906,000, and estimated the annual operating and maintenance cost to be approximately one per cent of the capital cost for the pipeline, and two percent of the capital cost for the associated stations. Apex indicated that the operating and maintenance cost would increase approximately \$5,400 per year as a result of the increased pipeline length associated with the proposed project.

17. Apex indicated that the project cost would also be allocated to Apex's recurring capital program which was approved in Decision 26616-D01-2022.

## 5 Commission process

18. Approval for new gas utility pipelines in Alberta generally follows two separate application processes. In the first application process (rates process) in which the gas utility seeks approval of rates to recover its prudently incurred costs, the gas utility requests the Commission's approval of forecast capital expenditures for new pipeline facilities in the context of a general rate application made pursuant to the *Gas Utilities Act*. In its general rate application, the gas utility includes a business case for the proposed new pipeline that describes the need or justification for the project, the alternatives available to meet that need, and the utility's choice of the best alternative to meet the need. In Decision 23799-D01-2019, the Commission described how it assesses the need for new gas utility pipelines proposed in a general rate application:

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 and rate impact analyses. However, there is generally little consideration of site-specific impacts and, consequently, potentially-affected landowners do not usually participate in the general rate application process.<sup>9</sup>

19. In the second application process (facility process), the gas utility seeks the Commission's approval to construct and operate new pipeline facilities, pursuant to the *Pipeline Act* and the *Gas Utilities Act*. The facility application generally focuses on the site-specific impacts of the project. When deciding whether to approve the facility application, the Commission must first determine if the need or justification for the new gas utility pipeline was identified and approved in the rates process. If so, then the site-specific impacts, in particular any adverse social, economic or environmental effects, of the proposed facilities are assessed to determine if approval of the proposed facilities is in the public interest.

20. 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

---

<sup>9</sup> Decision 23799-D01-2019: Apex Utilities Inc., Pembina-Keephills Transmission Pipeline Project, Proceeding 23799, Application 23799-A001, August 6, 2019, paragraph 8.

Commission first. In this instance, the project need is being assessed in the facility application as discussed throughout this decision.

21. In this proceeding, Apex requested approval to construct and operate the project because the existing section of pipeline that crosses the Red Deer River poses potential safety and operational concerns as a result of discovering an insufficient depth-of-coverage.

22. The Commission issued a notice of application on October 4, 2023, 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 along the proposed route, and was advertised in the Drumheller Mail newspaper. During the three-week notice period, no submissions in response to the notice were received by the Commission.

## **6 Commission findings**

23. 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.

24. The Commission has reviewed the application and has determined that it meets the information requirements of Rule 007, including the requirements for public involvement and consultation. The Commission accepts Apex's confirmation that a participant involvement program has been conducted and that there are no outstanding public or industry objections or concerns.

25. The Commission accepts Apex's statement that it will comply with the code of practice requirements in accordance with the *Water Act* for all watercourse crossings.

26. The Commission finds that the environmental information required for the project has been sufficiently addressed within the environmental protection plan. The Commission accepts Apex's commitment to follow the recommendations presented in the Environmental Evaluation and Protection Report in order to reduce the risk of adverse environmental impacts associated with construction and operation of the proposed project.

27. Based on the foregoing, the Commission considers that there is a need for the proposed pipeline 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*.

## 7 Decision

28. Pursuant to Section 11 of the *Pipeline Act* and Section 4.1 of the *Gas Utilities Act*, the Commission approves the installation of 1,040 metres of new 114.3-millimetre high pressure natural gas pipeline (line 37) and the split of line 17 into lines 17 and 38 and grants Apex Utilities Inc. the amended licence as set out in Appendix 1 – Gas Utility Pipeline Licence 613 (Appendix 1 will be distributed separately).

Dated on November 30, 2023.

### **Alberta Utilities Commission**

*(original signed by)*

Doug Hawkins  
Acting Commission Member