



Apex Utilities Inc.

Fort Assiniboine New Pipeline Installation

December 15, 2023

Alberta Utilities Commission

Decision 28660-D01-2023

Apex Utilities Inc.

Fort Assiniboine New Pipeline Installation

Proceeding 28660

Application 28660-A001

December 15, 2023

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The Commission may, no later than 60 days from 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. to construct and operate approximately 740 metres of new 60.3-millimetre high-pressure natural gas pipeline and to split line 18 of Licence 210 into lines 18 and 73, near the hamlet of Fort Assiniboine, 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 28660-A001, registered on November 26, 2023, filed an application for approval to install approximately 740 metres of new 60.3-millimetre natural gas pipeline (line 74) and to split line 18 into lines 18 and 73, under Licence 210. Apex has proposed to construct the Fort Assiniboine New Pipeline Installation project in December 2023.
4. The new 60.3-millimetre pipeline that Apex has proposed to install would replace approximately 700 metres of existing variable diameter pipeline.¹ The purpose of the project is to replace existing pipeline sections due to a pipeline failure that occurred under the Freeman River. As a result of the pipeline failure, approximately 263 customers on the east side of the Freeman River experienced a service outage. Apex subsequently restored services to the affected customers through the use of compressed natural gas. Apex stated that the proposed pipeline would be installed in the existing right-of-way and that the existing sections of pipeline between the two proposed tie-in points would be abandoned in place.²
5. Apex included a business case³ and project need assessment⁴ as part of the application as the need for the project was not previously established.

¹ Lines 56 (48.3 mm), 65 (48.3 mm), 66 (42.2 mm), and 73 (48.3 mm). Lines 58 (48.3 mm) and 64 (60.3 mm) are already abandoned.

² Exhibit 28660-X0005.02, Gas Utility Application Form.

³ Exhibit 28660-X0002.01, Business Case.

⁴ Exhibit 28660-X0006.01, Gas Utility Pipeline Abbreviated Need Assessment Application Form.

6. The proposed pipeline project would be sited near the hamlet of Fort Assiniboine and would be installed from Legal Subdivision 15 of Section 13, Township 62, Range 7, west of the Fifth Meridian to Legal Subdivision 13 of Section 18, Township 62, Range 6, west of the Fifth Meridian. The proposed pipeline route is shown in Figure 1.⁵

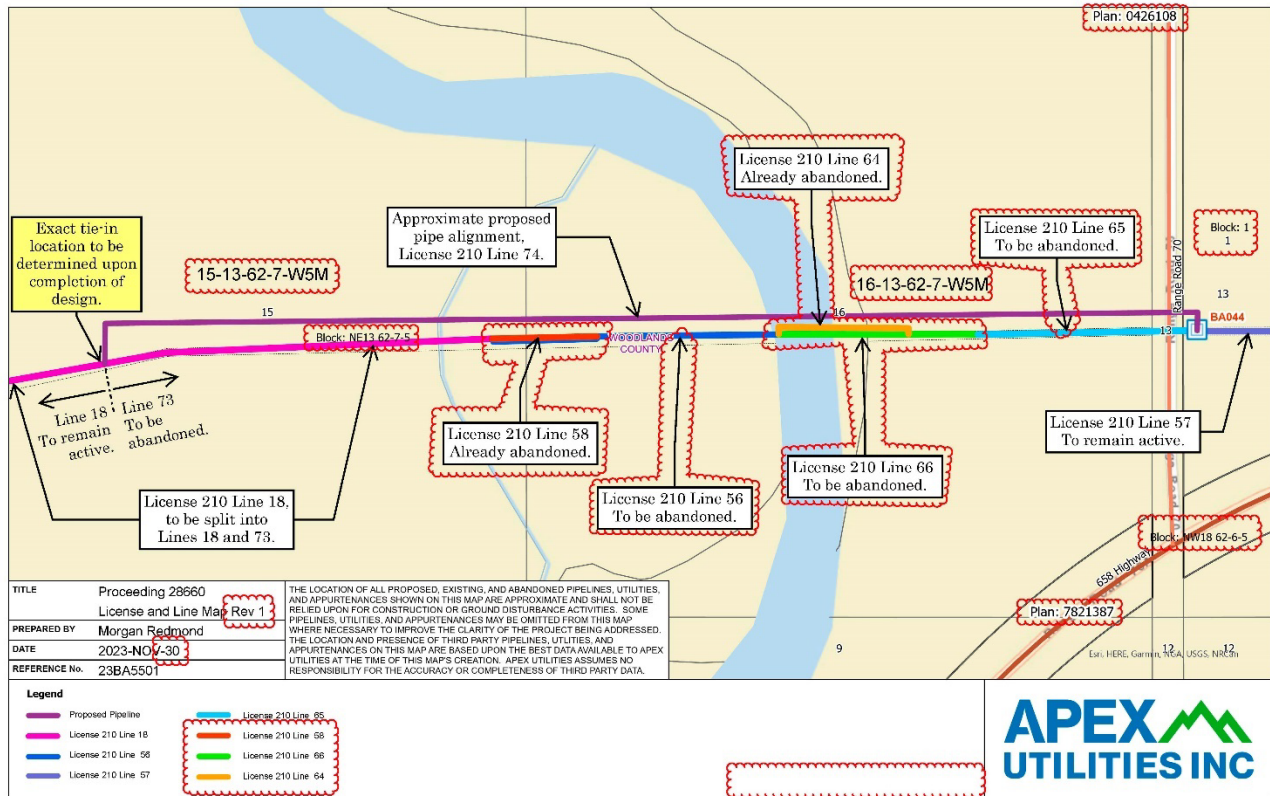


Figure 1. Project map

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. Apex engaged the Aboriginal Consultation Office and received an adequacy assessment⁶ that stated that no consultation was required.

8. Apex retained Vertex Professional Services Ltd. to prepare an environmental evaluation and protection report⁷ for the proposed project. Apex stated that the disturbance area is located on forested private and Crown land, and cultivated private land adjacent to the Freeman River. Apex also stated that the disturbance area is located in a Key Wildlife and Biodiversity Zone where no activity can be undertaken between January 15 to April 30 of the calendar year. As such, project construction is scheduled to commence in December of 2023 with an anticipated completion date prior to January 15, 2024. Apex acknowledged 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.

⁵ Red scalloped lines indicate updates submitted December 3, 2023 as Exhibit 28660-X0001.01.

⁶ Exhibit 28660-X0021, Update letter.

⁷ Exhibit 28660-X0016, Environmental Protection Plan.

9. Apex indicated that as part of the construction plan, horizontal directional drilling will be utilized to cross the Freeman River. As such, Apex included a frac-out⁸ response plan and contingency program in the event that a frac-out occurs while drilling. Apex stated that the new pipeline would be installed outside of the scour and bank erosion zones for a 1-in-100-year flood event. 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 one watercourse exists within the project footprint. As such, Apex has confirmed that a *Code of Practice for Pipelines and Telecommunication Lines Crossing a Water Body* (Government of Alberta, 2013) notification is required to be submitted to Alberta Environment and Protected Areas a minimum of 14 days prior to construction commencement.

10. Apex stated that a *Historical Resources Act* approval has been applied for.⁹ Apex also obtained a Historic Resources Screening Report for the project lands that concluded that the project lands do not overlap any lands with a reported historical resource value.¹⁰

11. Apex indicated in its frac-out response plan that a site-specific hazard assessment plan will be developed for this project.

3 Background and project need

12. Apex stated that on July 28, 2023, it had experienced a pipeline failure on the segments of high-pressure pipeline that cross the Freeman River. As a result of this failure, approximately 263 customers east of the Freeman River were isolated from natural gas supply. Apex subsequently restored service to the affected customers by supplying natural gas via compressed natural gas trailers. Apex stated that the current temporary delivery approach carries increased operating costs, increased revenue requirement and higher reliability risks. As such, Apex has proposed to replace the failed pipeline segments with a new pipeline, within the existing right-of-way, under the Freeman River. Overall, Apex indicated that the project need was established due to the increased cost and reliability risk that the existing delivery system currently presents.

4 Business case

13. As part of its application submission, Apex filed a business case¹¹ 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.

14. The three alternatives considered by Apex were:

- (1) Do nothing.
- (2) Install the replacement in a new alignment at a different location.
- (3) Install the replacement in the existing alignment under the Freeman River.

⁸ Release of drilling fluid into the environment.

⁹ Exhibit 28660-X0025, HRA application letter.

¹⁰ As per Alberta Culture and Tourism Land Use Procedures Bulletin, titled Small-scale Conventional Oil and Gas Development Historical Resources Act Compliance, effective December 1, 2016.

¹¹ Exhibit 28660-X0002.01, Business Case.

15. Apex indicated that alternative one was viable but not preferred due to the high cost and reliability risks associated with sourcing and supplying compressed natural gas to its customers east of the Freeman River. Apex stated that the costs associated with alternative one were entirely operational and that it would need to contract transportation, trailers and receipt stations in order to supply the system. Apex estimated the operational cost of alternative one from August 2023 to December 2023 to be approximately \$640,000, and be approximately \$1,458,000 annually thereafter.

16. Apex indicated that alternative two was originally the preferred choice as it involved installing a new pipeline within the same quarter section as one of Apex's existing high-pressure natural gas lines. This option would also be lower risk as it would avoid re-drilling under an existing water body. However, Apex indicated that on November 7, 2023, a potential supplier informed Apex that it no longer wished to pursue a supply agreement. As such, this alternative was no longer viable.

17. Apex stated that alternative three was now the most viable option as it presented the lowest operating costs, lowest revenue requirement and the lowest reliability risk because it involved transporting natural gas through a pipeline. Apex indicated that this alternative does carry a slightly higher environmental risk due to directional drilling under the water crossing; however, with proper design and construction techniques, these risks can be suitably mitigated. Specifically, mitigation will include using environmentally inert materials, maintaining drilling fluid pressure within the design limits and monitoring for drilling fluid losses throughout the bore path.¹²

18. Apex prepared a cost estimate for the proposed project (alternative three). Apex estimated the capital cost of the project to be \$488,000. The annual operating and maintenance cost was estimated to be approximately one per cent of the capital cost for the pipeline, and the cost for the associated stations was estimated to be approximately two per cent of the capital cost. Based on these figures, Apex indicated that the operating and maintenance cost for alternative three would be approximately \$4,900 per year.

5 Commission process

19. 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

¹² Exhibit 28660-X0016, Environmental Protection Plan; PDF page 13.

and, consequently, potentially-affected landowners do not usually participate in the general rate application process.¹³

20. 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.

21. 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 as discussed throughout this decision.

22. In this proceeding, Apex requested approval to construct and operate the project because the existing pipeline sections that cross the Freeman River have failed and the current natural gas delivery method is more expensive, and carries a higher reliability risk.

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. The Commission expects that Apex will provide project updates to the Alexander First Nation and Swan River First Nation.

25. The Commission finds that the mitigation measures specified in the Environmental Evaluation and Protection Report sufficiently address the potential adverse environmental effects associated with the project. The Commission expects Apex 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.

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

¹³ Decision 23799-D01-2019: ATCO Gas and Pipelines Ltd. – Pembina-Keepills Transmission Pipeline Project, Proceeding 23799, Application 23799-A001, August 6, 2019, paragraph 8.

27. The Commission finds that Apex's statement that a site-specific hazard assessment plan will be developed is inadequate in addressing potential hazardous situations that may arise from this project given that it involves drilling beneath a river. As a result, the Commission imposes the following condition of approval:

- a. Apex Utilities Inc. shall not commence construction until the site-specific hazard assessment plan is finalized and Apex Utilities Inc. shall file a copy of this plan with the Commission as soon as it is finalized.

28. The Commission finds that the proposed project (alternative three) is the most prudent alternative available to Apex, both operationally and in terms of overall cost, to maintain gas utility service to its customers in the area.

29. 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

30. Pursuant to Section 11 of the *Pipeline Act* and Section 4.1 of the *Gas Utilities Act*, the Commission approves the installation of 740 metres of new 60.3-millimetre high-pressure natural gas pipeline (line 74) and the split of line 18 into lines 18 and 73, and grants Apex Utilities Inc. the amended licence as set out in Appendix 1 – Gas Utility Pipeline Licence 210 (Appendix 1 will be distributed separately).

Dated on December 15, 2023.

Alberta Utilities Commission

(original signed by)

Carolyn Dahl Rees
Chair

Appendix A - Summary of Commission conditions of approval in the decision

This section is intended to provide a summary of all conditions of approval specified in the decision for the convenience of readers. Conditions that require subsequent filings with the Commission will be tracked as directions in the AUC's eFiling System. In the event of any difference between the conditions in this section and those in the main body of the decision, the wording in the main body of the decision shall prevail.

The following is a condition of Decision 28660-D01-2023 that requires a subsequent filing with the Commission:

- a. Apex Utilities Inc. shall not commence construction until the site-specific hazard assessment plan is finalized and Apex Utilities Inc. shall file a copy of this plan with the Commission as soon as it is finalized.