

Bulletin 2014-19

December 19, 2014

Stakeholder consultation on the application process for new gas utility pipelines

The Alberta Utilities Commission (AUC or the Commission) obtained input from stakeholders in a process arising from Bulletin 2013-12. The key focus of that process was to review where, when and how the need for new gas utility pipelines should be assessed.

After considering that stakeholder input, the Commission outlined, in Bulletin 2014-08, the basic requirements and procedures for the assessment of need. The bulletin also indicated that further details would be provided on the requirements for a need assessment and that stakeholders would be provided an opportunity to comment. The attached draft version of [Section 3 of Rule 020: Rules Respecting Gas Utility Pipelines](#) (Rule 020) incorporates revisions to the basic requirements and procedures for the assessment of need that were outlined in Bulletin 2014-08 and contains the proposed requirements for a streamlined or abbreviated need assessment process, as well as the proposed requirements for a complete need assessment.

The procedures state the Commission's expectations that need must be established and approved for a project before a pipeline licence is issued. The procedures also state the Commission's expectation that need will be addressed, to the extent practical, in the first instance an applicant files a gas utility pipeline capital project proposal with the Commission. One exception to this has been incorporated in the revisions to the procedures, specifically:

If the product of the pipeline length in kilometres and the pipeline diameter in millimetres exceeds 2,700, the need assessment for the project must be assessed with the facility application to facilitate thorough consideration of landowner and environmental issues.

In providing the flexibility to establish project need either through a rate application¹, or through a facility application, it is the Commission's expectation that the filing requirements outlined in Rule 020 are applicable, whether the pipeline capital project is proposed in a facility application or a rate application. Meeting the filing requirements of Rule 020 does not remove the need for a company to meet any additional filing requirements that are prescribed for rate applications or facility applications.

The Commission recognizes that providing flexibility respecting where a project need is established might introduce some difficulty in matching the project names and numbers used in one proceeding to the project naming conventions used in other proceedings. Therefore, applicants must provide information that is sufficient to clearly match the projects for which capital additions are requested to the facility application, the rate application, and all associated decisions, including the specific licences issued. In the event that the functional specification or scope of a specific project is changed for any reason subsequent to the issuance of the licence,

¹ This would include general rate applications or other applications for utilities under cost-of-service regulation and capital tracker applications for utilities under performance based regulation.

applicants must provide a clear explanation of both the nature and timing of the changes that have occurred.

The Commission considers that the applicant should be required to describe the need for the project in a fashion commensurate with the scope and cost of the project. As a result, an abbreviated need process has been proposed for smaller scale, routine projects that are not expected to have landowner objections or significant environmental impacts. However, smaller scale projects that are components of inter-related or multi-year programs should describe the linkages to the program and where the program need has been addressed.

Capital costs for projects are expected to be forecast as a component of the need assessment process. These costs should be provided in the first instance the project is filed with the Commission, either in the rate process or the facilities process. Updated capital cost forecasts may be provided in the facilities application if there are material deviations from the forecast in the rate application. The last cost forecast information to be reviewed will be considered in the process to assess actual costs for entry into rate base. The Commission considers that the review of cost updates in the facilities application process will provide an opportunity for a proactive approach to cost accountability, bringing further certainty respecting costs to shareholders as well as ratepayers. Furthermore, because the Commission intends to provide flexibility to review the cost-related evidence and consider cost-related issues in facilities proceedings, participation by interveners who are focused primarily on issues of cost should be permitted in those facility proceedings.

Bulletin 2013-12 identified a question with respect to the merit of requiring the filing of annual plans by gas utility pipeline operators. Major new growth projects identified for the ATCO Pipelines system will be vetted with industry participants through the NGTL annual planning process arising from the integration agreement between NGTL and ATCO Pipelines. Consequently, the Commission sees no significant benefit in requiring additional annual plan filing processes at this time.

The AUC thanks stakeholders for their time and participation in the discussion process. The AUC is now seeking comments from stakeholders regarding the proposed revisions to Rule 020. This bulletin, along with the proposed draft version of the [Section 3 of Rule 020](#), will be posted on the AUC website under the Rule Development tab, [Rule 020 - Rules Respecting Gas Utility Pipelines](#). Parties who wish to provide written comments on the revisions to Rule 020 should direct the submission to Raymond Lee, a senior advisor in the AUC's regulatory policy division, at regulatorypolicy@auc.ab.ca by 12:00 p.m. (noon) on January 16, 2015.

Once written submissions have been received and reviewed, the Commission will proceed to finalize the revisions to AUC Rule 020.

(Original signed by)

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