

ALBERTA ENERGY AND UTILITIES BOARD

Calgary Alberta

**PROCEEDING RESULTING FROM A REQUEST BY
NORTHWESTERN UTILITIES LIMITED TO
REVIEW PERMIT/LICENCE NO. 25546 PURSUANT TO
SECTION 43 OF THE ENERGY RESOURCES
CONSERVATION ACT (ERC ACT)**

**Decision D 96-11
Proceeding No. 960628**

1 INTRODUCTION

1.1 Background

Decision D 91-6 of the Energy Resources Conservation Board (ERCB)¹ approved applications by The Imperial Pipe Line Company Limited and Esso Resources (1989) Limited to convert a portion of the Edmonton to Sundre Expansion Pipeline (ESEP) from blended crude bitumen to natural gas service. Subsequent to Decision D 91-6, Northwestern Utilities Limited (NUL) made separate requests under Section 42 of the Energy Resources Conservation Act (ERC Act) pertaining to Decision D 91-6, and the related permits and licences issued pursuant to the Pipeline Act.

On 22 June 1992, NUL applied under Section 42 of the ERC Act for a review of Decision D 91-6 stating that circumstances upon which Decision D 91-6 was based had either changed or did not materialize as predicted. In a letter dated 8 September 1992, the Board denied NUL's application on the basis that the circumstances had not changed sufficiently to warrant a review of Decision D 91-6.

During the course of a Board hearing held on 14 and 15 October 1992, to consider Applications No. 921014 to 921025 by Amoco Canada Petroleum Company Ltd., The Imperial Pipe Line Company Limited, and Koch Pipelines Ltd., for permits to construct and operate pipelines and related facilities for the transportation of crude oils, condensate, and blended bitumen between the Sundre and Edmonton area, NUL asked for permission to adduce evidence relating to the ESEP conversion. After considering the arguments by all parties, the Board ruled that it was not prepared to consider issues involving the transportation of natural gas at that particular hearing. NUL chose not to participate further and withdrew from the hearing. Decision D 93-5 of the ERCB resulted in the approval of the above noted applications.

¹ As of 15 February 1995, the Energy Resources Conservation Board (ERCB) and the Public Utilities Board (PUB) merged to form the Alberta Energy and Utilities Board (EUB).

NUL's next review request under Section 42 of the ERC Act was filed on 14 October 1992, and it put forth the position that there had been a substantial and material change in circumstances and in facts since the issuance of Decision D 91-6.

The Board granted NUL's request and held a public hearing in Calgary in February 1993 to hear evidence on the merits of the arguments (Proceeding No. 921563). Based on the evidence and arguments presented at the proceeding, the Board concluded that circumstances had not changed sufficiently to warrant a variance of Decision D 91-6. The detailed discussions and reasons were included in Decision D 93-4.

On 4 January 1995, Imperial Oil Resources Limited (Imperial) applied to the Board to construct and operate approximately 8 kilometres of 323.9 millimetre outside diameter pipeline. The new pipeline would run from the existing Bonnie Glen Gas Plant located in Legal Subdivision (Lsd) 3 of Section 17, Township 47, Range 27, West of the 4th Meridian, to a pipeline tie-in point on the ESEP in LSD 2-28-46-27 W4M. The purpose of the pipeline was to transport Bonnie Glen blowdown gas. The application was technically complete and there were no objections. Permit/Licence No. 25546 was granted to Imperial on 11 March 1996, pursuant to the Pipeline Act. An application was made by NUL on 25 April 1996, pursuant to Section 43 of the ERC Act for a review of Permit/Licence No. 25546.

1.2 Hearing

The application was considered by the Board at a public hearing in Edmonton, Alberta, on 10 September 1996, before Board Members B. F. Bietz, Ph.D., P.Biol, A. C. Barfett, and G. J. Miller. Those who appeared at the hearing are listed on the attached table. Centra Gas Alberta Inc. and Nova Gas Transmission Ltd. (NGTL) attended to monitor the hearing, but did not participate.

2 ISSUES

In considering the request for a review by NUL and after reviewing the evidence presented at the hearing, the Board has identified the following issues as relevant to its decision

- the effect of the additional facilities proposed by Imperial on the ESEP conversion and Bonnie Glen blowdown gas, and
- the competitive merits of NUL's proposal.

3 VIEWS OF THE APPLICANT

NUL stated that an underlying reason for its requesting a review and variance of Permit/Licence No. 25546 was the eminent sale of the ESEP system, including the subject pipeline to a third party. NUL argued that if such a sale were to occur, it would negate previous commitments made

by Imperial to the Board, and on which the Board had relied on in reaching its previous decisions pertaining to ESEP.

In addition to the above, NUL also argued that Imperial's proposed pipeline tie-in between the Bonnie Glen Gas Plant and the ESEP was a duplication of existing NUL facilities. These existing facilities could, in NUL's view, meet Imperial's transportation requirements. NUL suggested that the construction of a new pipeline would result in unnecessary proliferation of facilities and would be contrary to the Board's mandate to ensure orderly, economic, and efficient development in the public interest.

NUL noted that it had become aware of Imperial's interest in selling the ESEP system when it had been requested in March 1996 by Imperial to tender a bid for the purchase of ESEP, as well as a bid to transport Bonnie Glen blowdown gas. The intent to sell had been subsequently confirmed by a letter from Imperial to NGTL on 15 April 1996, indicating that NGTL had been selected as the successful bidder.

In response to the request by Imperial, NUL tendered what it considered to be a competitive offer on 27 March 1996 to transport up to 90 terajoules of gas per day from Bonnie Glen for \$35 000 per month over a 9-year period or approximately \$420 000 per year. This, in NUL's submission, would be a wiser allocation of resources than the current plan of completing the Bonnie Glen to the ESEP tie-in at a capital cost to Imperial of about \$2 million. NUL also noted that it believed that the construction of the Bonnie Glen tie-in by Imperial would be contrary to the public interest due to its impact on NUL's rate payers. Without the Bonnie Glen gas volumes, NUL's capacity utilization rate would be potentially reduced with the resultant costs passed along to rate payers.

Notwithstanding the fact that previous Board decisions had noted that the purpose of the ESEP conversion included transport of blowdown gas from Bonnie Glen, and was a potential result of the Board's original approval (Decision D 91-6), NUL suggested that such approvals do not constitute a *carte blanche* for Imperial to modify their plans at will and without regard for the public interest. NUL also encouraged the Board to view the resource allocation aspects of Imperial's proposed tie-in from a point in time before any construction had actually taken place, its argument being that this activity had been a business risk assumed by Imperial and, as such, should not fetter the Board's decision.

4 VIEWS OF THE INTERVENER

Imperial reiterated that the ESEP system was, and continues to be, its preferred means of transporting blowdown gas out of the Bonnie Glen area. ESEP's operational flexibility would allow Imperial to move gas to NGTL, into the Edmonton area, and to Golden Spike storage. Imperial stated that NUL could not provide this same type of operational flexibility. Furthermore, a comparison of the alternative proposed by NUL had led Imperial to the conclusion that the tie-in to the ESEP also continued to be cost effective.

5 VIEWS OF THE BOARD

5.1 Effect on the ESEP

Prior to the hearing, in a letter to all parties dated 6 September 1996, the Board had advised that the proceeding was to hear representations respecting NUL's competitive proposal to meet Imperial's transportation needs for the movement of Bonnie Glen blowdown gas. The Board determined that no application to transfer the operating licence of ESEP or the subject pipeline from Imperial to another owner was before the Board.

As a result, issues arising from the potential sale of ESEP to another party were excluded from the scope of the proceeding and are not addressed further in this Decision. However, the Board notes that if and when such an application is made, and if it raises public interest issues that are relevant, and/or other matters which are within the EUB's jurisdiction, the Board will address such issues in the appropriate manner.

5.2 NUL's Competitive Proposal

The Board notes that NUL did not question technical or environmental matters relating to Permit/Licence No. 25545. The Board accepts that Imperial's proposed pipeline from the Bonnie Glen Gas Plant to the ESEP tie-in is both technically and environmentally acceptable.

The evidence adduced by Imperial during examination by Board staff suggested that a financial comparison of completing the tie-in at a cost of \$2 million would be about equal to NUL's offer of alternative service, and the Board concurs with Imperial's conclusion. Thus, on purely a financial basis there appears to be little to choose between the projects.

The Board believes that in the absence of significant public interest aspects, suitable transportation arrangements should be a matter between the parties involved. The Board notes that Imperial continues to be of the view that the NUL proposal would not provide it the long-term operational flexibility available from the ESEP system. The Board is persuaded that the operational flexibility that would be accorded Imperial by operating their own facilities must weigh significantly in favour of Imperial's proposal. Nor did the Board find that NUL raised issues of sufficient public interest concern that would cause it to intervene in Imperial's business decision.

The longevity of this arrangement notwithstanding, the Board continues to be of the view that the ESEP is presently owned by Imperial and is intended for the transportation of Imperial's gas. The Board believes that the additional pipeline tie-in proposed by Imperial is an integral component of the ESEP conversion, is not a duplication of existing facilities, and is consistent with the original intent and previously approved purpose of ESEP.

6 DECISION

The Board confirms its approval of Permit/Licence No. 25546 granted to Imperial Oil Resources Limited.

DATED at Calgary, Alberta, on 5 November 1996.

ALBERTA ENERGY AND UTILITIES BOARD



B. F. Bietz, Ph.D., P.Biol.
Board Member



A. C. Barfett
Board Member



G. J. Miller
Board Member

THOSE WHO APPEARED AT THE HEARING

Principals and Representatives
(Abbreviations Used in Report)

Witnesses

Northwestern Utilities Limited (NUL)
L. E. Smith

R. Armstrong, P.Eng.
J. F. Engler, P.Eng.

Imperial Oil Resources Limited (Imperial)
D. G. Davies

C. D. Bird, P.Eng.
R. R. Moore, P.Eng.

Centra Gas Alberta Inc (Centra)
L. M. Heikkinen, President

Nova Gas Transmission Ltd (NGTL)
J. P. Smedley

Alberta Energy and Utilities Board staff
R. D. Heggie, Counsel
S. C. Lee, P.Eng.
K. Johnston
P. K. Ferensowicz