

Rural Gas Program Manual

Sixth Edition
March 2000

The logo for the province of Alberta, featuring the word "Alberta" in a stylized, bold, sans-serif font.

Resource Development
Rural Utilities Branch

1. Authority

- 1.1. The Rural Utilities Branch of Alberta Resource Development administers the Rural Gas Program under the authority of the *Gas Distribution Act* and the *Energy Grants Regulation*.
- 1.2. The terms used in this Manual are consistent with the terms used in The Act and Regulation.

- (b) a detailed cost estimate for the project based on the selected tenders for labour, materials, and equipment,
- (c) a distribution system layout plan reproduced from the distributor's as-built plans,
- (d) a customer information sheet detailing customer's name, location, service type, and design load.

2. Permit Applications

- 2.1. Notwithstanding any permit or approval issued by any other party, a distributor must not commence construction of a project in its rural gas utility unless it has received a construction permit from the Branch.
- 2.2. Notwithstanding subsection 2.1, the Branch may pre-authorize the construction of single primary service lines on an annual basis.
- 2.3. All permit applications should contain one copy of the following:
 - (a) a "Construction Application Data Summary Report",

3. Operating Licenses

- 3.1. Distributors must make application prior to March 31 of each calendar year for a pipeline operating license covering all construction completed in the preceding year.
- 3.2. License applications must contain the following information:
 - (a) a floppy disk or disks containing utility files and infill files prepared in accordance with the Branch's Technical Standards Manual and the Standards Manual for Digital Mapping. The utility file should contain all of the distributor's distribution system, and the infill file should contain only new construction completed during the preceding year,

- (b) a hard copy listing of the files submitted with their extensions and revision number,
- (c) one copy of the Branch's license application form,
- (d) one copy of the Branch's pipeline test confirmation summarizing the pipe extruder, resin data, and test parameters for newly constructed pipelines.

4. Tenders

- 4.1. Distributors must obtain tenders for materials or contractor services, unless this requirement is waived by the Branch.
- 4.2. Invitational tenders must be obtained from at least two suppliers where the value of materials exceeds \$25,000. However, a quotation may be obtained from only one supplier if the materials are available from that supplier only.
- 4.3. Tenders must be obtained by invitation from at least three contractors where the value of contracting services exceeds \$25,000; and by public tender where the value of services exceeds \$100,000.
- 4.4. The requirement for tenders may be waived by the Branch if it is satisfied that the use of the tendering process may not achieve lower costs for the materials or services to be obtained.
- 4.5. In providing tender information to the Branch, distributors must disclose the details of any financial interests or any actual or potential conflict of interest involving their directors, staff or officers with respect to a supplier or contractor listed in the tender information.

- 4.6. If a distributor does not meet these requirements for tenders and if, in the Branch's opinion, this results in additional capital costs being expended for a construction project, these additional costs may be deemed ineligible for grant support.

5. Capital Cost Reviews

- 5.1. The Branch will determine the final system capital cost to be used to calculate total grant eligibility for capital projects by means of a year-end review. The review may include:
 - (a) an analysis of the distributor's records,
 - (b) a review of capital costs and grant specifications outlined in construction approvals,
 - (c) a comparison of:
 - (i) approved tenders to actual costs,
 - (ii) capital costs approved versus capital costs reported, and
 - (iii) capital projects approved versus construction progress reported,
 - (d) an evaluation as to reasonability of the capital costs reported.
- 5.2. Where the total amount of pipeline defined in a construction approval is not installed due to the deferral or cancellation of a project, the Branch will reduce the approved estimate accordingly.
- 5.3. The Branch may require a distributor to justify any capital costs in excess of approved estimates.

- 5.4. A distributor may be requested to submit year-end cost summaries with appropriate documentation covering all items in subsection 5.1 in lieu of a field review by the Branch.

6. Cost Eligibility for Grants

- 6.1. Capital costs eligible for grant support may include the following:

- (a) Construction materials, supplies and associated freight charges; but excluding materials and supplies placed in inventory, resold or used for system operations,
- (b) Contractor services for installation of materials and supplies in the distributor's system, and/or self-construction costs as determined from the unit rate system,
- (c) Consulting costs, internal labour costs, mileage, and administrative costs. **Costs in this category will be determined at the flat rate of 20% of materials and contractor services, plus 10% of unit rate costs,**
- (d) Crop damages paid out to landowners that are reasonable and strictly related to crop losses due to pipeline construction,
- (e) Specialized services, such as easement search and registration, lien note registrations, pipe quality assurance and mapping.

- 6.2. The eligible costs specified in subsection 6.1 may be restated by the following formula:

Approved Capital Costs = (Material + Contractor Services) x 1.2 + (Unit Rates x 1.1) + Crop Damages + Special Charges.

7. Unit Rates for Construction

- 7.1. A distributor that undertakes all or a portion of pipeline construction with its own labour and equipment must determine the capital costs from a unit rate schedule agreed to between the distributor and the Branch.

- 7.2. Upon completion of a self-construction program, the distributor must calculate the value of self-construction costs and submit it to the Branch. Approval of this schedule will be part of the year-end review. The Branch reserves the right to conduct a field audit of costs.

8. Non-Grantable Capital Costs

- 8.1. Construction costs considered ineligible for grant support include the following:

- (a) service to non-grantable consumers as described in subsection 8.2 and 8.3,
- (b) the cost of materials or contracting services which do not meet the requirements for competitive tendering under Section 4,
- (c) replacement of pipelines due to inadequate depth of cover,
- (d) replacement or lowering of crossings or relocation of pipelines due to construction activity on highways, roads, railways, canals, watercourses, foreign pipelines or other utilities,
- (e) replacement of/or improvements to facilities that have deteriorated due to inadequate maintenance, and
- (f) replacement of CIL 219 pipe.

8.2. A non-grantable consumer is a consumer who uses natural gas for non-domestic, non-farming, or standby purposes. The non-grantable cost of service for this type of consumer will depend on the consumer's location as follows:

- (a) if located in a rural area, either the actual cost of service or \$3,200 whichever is greater, or
- (b) if located in an urban area, either the actual cost of service or \$2,200 whichever is greater.

8.3. A special non-grantable consumer is a church or community hall that is supported by private contributions from the community. The non-grantable cost of service for this type of consumer will be the actual costs of service or:

- (a) \$3,200 if located in a rural area,
 - (b) \$2,200 if located in an urban area,
- whichever is less.

9. Grant Eligibility Criteria

9.1. The *Energy Grants Regulation* provides the authority for grant support towards construction costs for those natural gas distributors that have received a franchise area approval under the provisions of the *Gas Distribution Act*.

9.2. A distributor may receive grant support toward the capital cost of the portion of its overall distribution system plant which is intended to serve farm or domestic consumers within the prescribed boundary of a franchise area approval. Any distribution system plant which is installed for any other purpose is ineligible for grant support.

9.3. Notwithstanding a distributor's right to establish contract prices for new consumers within its franchise area, the grants specified in this manual are based on the following principles:

- (a) that the contract prices for rural and urban consumers must be the same for all consumers within that class in any given year, and
- (b) that the aggregate of the contract price and the grant for which the distributor is eligible should not exceed the average capital costs associated with providing service to new consumers in each class in any given year.

9.4. Where a distributor does not establish a common contract price for each class of consumer, the Branch may refuse to provide any or all of the grant assistance for which the distributor would otherwise be eligible.

9.5. Where the contract price established by a distributor for any class of consumer does not comply with the principles outlined in subsection 9.3(b) the distributor may be required to:

- (a) refund any excess funds to the affected consumers, or
- (b) accept a reduction in its grant eligibility equivalent to the amount of excess funds generated by its contract prices.

10. Grants – General

10.1. Where:

- (a) a distributor incurs capital costs for the development of its rural gas utility,
- (b) the distributor requests grant support for the capital costs, and

- (c) the capital costs are eligible for grant support as specified in a construction approval

the amount of grant available to the distributor will be as outlined in sections 10.2, 11 and 12.

10.2. Projects eligible for grant assistance include the following:

- (a) installation of new domestic, grain dryer, irrigation, or other agricultural services,
- (b) looping and other system improvements to ensure security of supply to consumers,
- (c) studies related to the design, technical standards, construction, operation or safety of rural gas utilities,
- (d) installation of new gas sources,
- (e) reconnecting distribution systems to new gas sources due to failure or inadequacy of the existing source,
- (f) replacement of defective PE 3306 or PVC pipe.

11. Grants for Urban Services

11.1. In this section:

- (a) “urban area” means:
 - (i) a village or summer village that is included in a franchise area approval, or
 - (ii) a group of properties that is registered under a lot, block, and plan description

where the distributor has applied for and received urban status from the Branch.

- (b) “urban consumer” means a domestic consumer whose residence is located in an urban area.

- (c) “urban capital cost” means the portion of system costs that is incurred for service to urban consumers.

- (d) “capital cost per urban consumer” means the quotient obtained by dividing the urban capital cost by the number of urban consumers in any year.

11.2. Grant assistance for urban capital costs may be calculated from the following table:

Capital Cost Per Urban Consumer	Sharing of Capital Costs
Up to \$2,200	100% distributor
Over \$2,200 to \$4,000	25% distributor 75% grant

11.3. Notwithstanding subsection 11.2, the maximum capital cost for service to an individual urban consumer is \$4,000 for grant eligibility purposes.

12. Grants for Rural Services

12.1. In this section:

- (a) “rural capital cost” means the total capital cost in any year less the aggregate of:
 - (i) the non-grantable capital costs specified in section 8,
 - (ii) the urban capital cost specified in section 11, and
 - (iii) any other costs deemed ineligible for grant support by the Branch.

(b) “capital cost per rural consumer” means the quotient obtained by dividing the rural capital cost by the number of rural consumers in any year.

12.2. The number of rural consumers will be based on the aggregate of the following:

- (a) the number of farms and rural residences served with natural gas,
- (b) the number of additional residences on a farm or rural parcel served with natural gas, where those residences are separately metered by the distributor,
- (c) an equivalent of five (5) rural consumers where a communal farm is provided with natural gas from a single consumer meter, and
- (d) the number of services for irrigation, grain drying, or other agricultural purposes.

12.3. The amount of grant assistance for rural capital costs may be calculated from the following table:

Capital Cost Per Rural Consumer	Sharing of Capital Costs
Up to \$3,200	100% distributor
Over \$3,200 to \$15,000	25% distributor 75% grant

12.4. Notwithstanding subsection 12.3, the maximum capital cost for service to an individual rural consumer for grant eligibility purposes is \$15,000.

13. Grant Processing

13.1. The Branch may generate and process with a construction approval a progress grant of 75 percent of estimated grants specified in the approval

13.2. A distributor may request a further progress grant of up to 12.5 percent of its estimated grant eligibility where:

- (a) the project has been completed,
- (b) the actual capital cost of the project has been compiled and has been approved by the Branch, and
- (c) any other requirements of the Branch have been met.

13.3. The balance of any additional grant eligibility may be paid to a distributor where the requirements of subsection 13.2 have been met, and:

- (a) the distributor has submitted and received a pipeline operating license,
- (b) an independent audit has been completed and a financial statement covering that audit has been submitted to the Branch, and
- (c) any other requirements of the Branch have been met.

13.4. The Branch may hold back an appropriate portion of grant funds where the distributor does not comply with the requirements of subsection 13.2 or 13.3 and, where the distributor does not comply with these requirements within one year, the Branch may deem the amount held back to be forfeited.