



ONTARIO ENERGY BOARD

OEB STAFF SUBMISSION

March 5, 2018

Union Gas Limited

2018 STORAGE ENHANCEMENT PROJECT

(BICKFORD POOL)

EB-2017-0363

INTRODUCTION

Union Gas Limited (Union) applied on December 7, 2017 to the Ministry of Natural Resources and Forestry (MNRF) for three well drilling licences in the Bickford Designated Gas Storage Pool (Bickford Pool). The application was referred to the Ontario Energy Board (OEB) by the MNRF on December 8, 2017, pursuant to section 40(1) of the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (schedule B) (OEB Act). If the OEB supports Union's application, it will issue a favourable report to the MNRF (Report) recommending that the Minister issue well drilling licences for the three injection/withdrawal (I/W) wells in the Bickford Pool (Proposed Wells).

Union has also applied under section 90 of the OEB Act for leave to construct approximately 530 metres of 12 inch diameter natural gas pipelines within the Bickford Pool (Proposed Pipelines). The three I/W wells and the proposed pipelines are collectively referred to as the 2018 Storage Enhancement Project.

OEB staff supports Union's applications, subject to the proposed draft conditions of approval for the well licences and for leave to construct the pipelines attached as Appendices A and B, respectively.

PROCESS AND STRUCTURE OF SUBMISSION

The OEB issued a Notice of Hearing on January 4, 2018 which was served and published as directed.

Enbridge Gas Distribution Inc., and the MNRF are registered intervenors in the proceeding. The OEB proceeded by way of a written hearing. In accordance with Procedural Order No. 1 issued on January 26, 2018, the interrogatory phase was completed on February 20, 2018.

Union requires approval to construct all components of the 2018 Storage Enhancement Project (both the I/W wells and the pipelines) in order to increase storage deliverability and meet the need for market-based storage services.

The OEB staff submission will address the following issues which are relevant to all components of the 2018 Storage Enhancement Project:

- Need for the storage enhancement
- Costs and potential impact on Union's ratepayers

- Land related matters
- Environmental matters
- Indigenous consultation

Next, the submission will address matters of the MNRF's authority over regulatory compliance of storage related facilities for drilling and operation. It is noted that geological, engineering, operational, technical and safety aspects of drilling and operation of new storage wells are within the authority of the MNRF in accordance with requirements of Canadian Standards Association (CSA) standard *CSA Z341.1-14: Storage of Hydrocarbons in Underground Formations* (CSA Z341.1-14) and the *Gas and Salt Resources of Ontario, Provincial Operating Standards*. Proposed conditions for well drilling licences are included in the submission. Lastly, pipelines design specifications and the proposed conditions of approval under section 90 of the OEB Act will be addressed, which relate only to the application for leave to construct the pipelines.

NEED

Union indicated that the 2018 Storage Enhancement Project is needed based on Union's long term gas deliverability contract with TransCanada Energy's Napanee gas-fired generating facility (Napanee Plant). The Napanee Plant is located between Kingston and Napanee on the shore of Lake Ontario, near the Lennox Generating Station. The capacity of the Napanee Plant is 980 megawatts and the planned in-service date is June 2018. The construction of the Napanee Plant is underway. The total deliverability demand in the contract is 125,000GJ per day. This is the second phase of Union's project to increase the deliverability of its storage system to address the contractual demand of the Napanee Plant. Union's 2017 Storage Enhancement Project, approved by the OEB on April 13, 2017¹, will provide 70,000 GJ per day. The remaining 55,000GJ per day will be provided by the 2018 Storage Enhancement Project.

OEB staff has no concerns with the need for the 2018 Storage Enhancement Project.

COST AND POTENTIAL IMPACT ON UNION'S RATEPAYERS

Union did not provide an economic feasibility analysis for the 2018 Storage Enhancement Project as deliverability services will be sold at market-based prices and the costs will not be recovered from Union's ratepayers.

¹ EB-2016-0322 application involved increasing deliverability of Dawn 156 and Bentpath pools.

OEB staff notes that since the Natural Gas Electricity Interface Review (NGEIR) Decision², Union has not been required to file cost or economic information for unregulated storage projects such as the 2018 Storage Enhancement Project.

LAND MATTERS

The 2018 Storage Enhancement Project does not require any additional land rights as Union owns the land where the wells and pipelines facilities will be located. OEB staff submits that there are no outstanding land-related concerns from the 2018 Storage Enhancement Project.

ENVIRONMENTAL MATTERS

The Environmental Protection Plan (EPP) for the 2018 Storage Enhancement Project has been completed to meet the intent of the OEB's *Environmental Guidelines for the Location, Construction and Operation of Hydrocarbon Pipelines in Ontario* (2016) (OEB Environmental Guidelines).

The EPP, which covers all facilities in the 2018 Storage Enhancement Project, including wells and pipelines, was submitted to the Ontario Pipeline Coordinating Committee (OPCC) for review on November 17, 2017.

Union stated that no significant adverse environmental or socio-economic impacts are anticipated with implementation of the mitigation measures specified in the EPP. In response to OEB staff interrogatory #1, Union provided updated information on the results of the OPCC review. There are no outstanding matters or concerns raised in the OPCC review.

Union has committed to conducting an environmental inspection program to ensure implementation of all the recommendations in the EPP, any commitments made during the regulatory proceeding, and conditions of approval for both the well drilling and pipelines construction.

OEB staff submits that Union followed the requirements of the OEB Environmental Guidelines and that Union's compliance with the proposed conditions of approval in

² EB-2005-0551

Appendix A and Appendix B will ensure that impacts of well drilling and pipelines construction are mitigated and monitored.

INDIGENOUS CONSULTATION

Union conducted Indigenous consultation as directed by the OEB's Environmental Guidelines. The Ministry of Energy (MOE) is a lead in coordinating the consultation and delegating the procedural aspects of Indigenous consultation to pipelines and natural gas storage facilities proponents. In accordance with the OEB's Environmental Guidelines, Union prepared and filed an Indigenous Consultation Report (ICR)³ in its evidence. The delegation letter from the Ministry of Energy (MOE), which identified Indigenous communities to be consulted, is included in Union's evidence. According to the ICR, the Indigenous communities that were consulted did not raise issues or concerns with the 2018 Project.

The ICR is subject to MOE's review and a letter with the MOE's opinion on the adequacy of Indigenous consultation was expected to be filed by Union before the record closed. By way of interrogatories, OEB staff asked that Union file a letter with MOE's opinion. On February 21, 2018, in response to OEB staff interrogatory # 2, Union filed the letter from the MOE dated February 16, 2018 (MOE Letter) which states that the MOE has reviewed the ICR and has found that the procedural aspects of consultation were completed to the satisfaction of the MOE. The MOE Letter also notes the MOE's expectation that Union will continue its consultation activities throughout the life of the project and will notify the MOE should any additional issues or concerns arise. Union has also stated its commitment to following up and continuing its existing approach to consultation.

OEB staff submits that Union has complied with the intent of the OEB Environmental Guidelines regarding Indigenous consultation. It appears that as of the date of this submission, Union has adequately addressed the requirement for consultation with Indigenous communities.

³ Filed in the evidence as Schedule 14

WELL LICENCE APPLICATIONS

Union applied to the OEB for licences allowing it to drill three I/W Wells in the Bickford Pool. Union's evidence is that the working capacity and operating pressure of the Bickford Pool will not change with the completion of the 2018 Storage Enhancement Project.

The MNRF is the provincial authority that ensures that all of the relevant requirements of CSA Z341.1-14 for drilling, modifications, and operation of these wells is satisfied. Union advised that it met with the MNRF on October 13, 2017 to discuss the 2018 Storage Enhancement Project and provide copies of the engineering reports which were prepared for the 2018 Storage Enhancement Project. The reports filed with the MNRF for its review confirm that the Bickford Pool can be operated safely at the increased pressure and support the enhancement of the deliverability at Bickford Pool. Union stated that it expects final comments and a statement on compliance with CSA Z341.1-14 from the MNRF will be provided in MNRF's final submission in this proceeding. At the time of the filing of this submission, the MNRF had not yet provided a statement regarding the review. Union stated in its application and confirmed in response to OEB staff interrogatory #3 that in their meeting with the MNRF, MNRF representatives had told Union that they would intervene in the proceeding and express any concerns they may have with the 2018 Storage Enhancement Project in this proceeding. OEB staff notes that the MNRF is a registered intervenor in this proceeding and that it did not file any interrogatories.

OEB staff supports Union's well licence applications subject to Union or the MNRF placing on the record the MNRF's final comments in support of the 2018 Storage Enhancement Project and confirming the 2018 Storage Enhancement Project's compliance with CSA Z341.1-14 prior to the issuance of the OEB's Report on the well licence applications.

OEB staff proposed conditions of approval in OEB staff interrogatory #6 related to the authority to issue the licence and the term of the drilling licence; certain construction requirements; monitoring and reporting of any mitigation for construction impacts; and a requirement that Union should conform to the CSA Z341.1-14 standards to the satisfaction of the MNRF. In response to OEB staff interrogatory # 6, Union accepted all of the proposed conditions.

The proposed conditions are attached as Appendix A to this submission. In this submission

OEB staff proposes that condition # 2 in the Appendix A may be removed⁴ and that, should the OEB intend to issue a favorable Report, the Report state that the recommendation will expire twelve months after the date of the Report to the MNRF. OEB staff expects that Union will comment on this proposed change in its reply submission.

OEB staff submits that following receipt of the MNRF's final comments on the 2018 Storage Enhancement Project and its statement that the 2018 Storage Enhancement Project complies with CSA Z341.1-14 and other applicable regulatory requirements, the OEB should provide a favourable Report, under subsection 40(1) of the Act, to the MNRF, to which Union has applied for licences to drill wells in the Bickford Pool, subject to the proposed conditions of approval attached as Appendix A of this submission.

LEAVE TO CONSTRUCT

The proposed pipelines are designed to transport the expected flows to and from the new wells. These pipelines (referred to as storage gathering pipelines) are planned to be constructed during the spring and summer of 2018 using the existing access road network.

Design and pipe specifications for the proposed storage gathering pipelines are outlined in Union's evidence. Union noted that all the design specifications are in accordance with Ontario Regulation 210/01 for Oil and Gas Pipeline Systems.⁵

While the pipeline facilities in this application are not located in areas that require class 2 pipelines design, there are areas within the Bickford Pool that do meet the class 2 location requirements.⁶ Union proposes to design all pipelines that are subject to this application to a class 2 standard in anticipation of future growth, and to keep the class location consistent throughout the Bickford Pool.

OEB staff supports Union's application for leave to construct the pipelines to connect the wells to Union's system, subject to the proposed conditions of approval attached as Appendix B to this document. Union agreed with the proposed conditions in its response to OEB staff interrogatory #5.

⁴ Please see the wording of the condition # 2 in the Appendix A.

⁵ Union's response to OEB staff interrogatory # 1 included information that the Technical Standards and Safety Authority confirmed, as part of the OPCC review, that the pipeline design criteria meet Ontario Regulation 210/01 for Oil and Gas Pipeline Systems.

⁶ Class location requirements for pipeline design are set out in CSA Z662-15: *Oil and Gas Pipeline Systems*

All of which is respectfully submitted.

Appendix A

to

OEB Staff Submission

**Draft Conditions of
Approval**

Well Drilling Licences

**Union Gas Limited
EB-2017-0363
OEB Staff Proposed Conditions of Approval
Well Drilling Licences**

1. Union Gas Limited (Union) shall rely on the evidence filed with the OEB in the EB-2017-0363 proceeding and comply with applicable laws, regulations and codes pertaining to the construction of the proposed wells.
2. ~~Authorization for the issuance of the drilling licence is limited to twelve months from the date of the OEB's Report to the Ministry of Natural Resources and Forestry.~~
3. The authority granted under this Order to Union is not transferable to another party without leave of the OEB. For the purpose of this condition another party is any party except Union Gas Limited.
4. Union shall construct the facilities and restore the land in accordance with its Application and evidence given to the OEB, except as modified by this Order and these Conditions of Approval.
5. Union shall ensure that the movement of equipment is carried out in compliance with all procedures filed with the OEB, and as follows:
 - i) Union shall make reasonable efforts to keep the affected landowner as well as adjacent landowners and their respective tenant farmers, or their designated representatives, informed of its plans and construction activities; and
 - ii) the installation of facilities and construction shall be coordinated so as to minimize disruption of agricultural land and agricultural activities.
6. Union shall, subject to the recommendation by an independent tile contractor and subject to the landowner's approval, construct upstream and downstream drainage headers adjacent to the drilling area and access roads that cross existing systematic drainage tiles, prior to the delivery of heavy equipment, so that continual drainage will be maintained.

7. Both during and after construction, Union shall monitor the impacts of construction, and shall file with the OEB one paper copy and one electronic (searchable PDF) version of each of the following reports:
- a) a post construction report, within three months of the in-service date, which shall:
 - i. provide a certification, by a senior executive of the company, of Union's adherence to Condition 1;
 - ii. describe any impacts and outstanding concerns identified during construction;
 - iii. describe the actions taken or planned to be taken to prevent or mitigate any identified impacts of construction;
 - iv. include a log of all complaints received by Union, including the date/time the complaint was received, a description of the complaint, any actions taken to address the complaint, the rationale for taking such actions; and
 - v. provide a certification, by a senior executive of the company, that the company has obtained all other approvals, permits, licences, and certificates required to construct, operate and maintain the proposed project.

 - b) a final monitoring report, no later than fifteen months after the in-service date, or, where the deadline falls between December 1 and May 31, the following June 1, which shall:
 - i. provide a certification, by a senior executive of the company, of Union's adherence to Condition 1;
 - ii. describe the condition of any rehabilitated land;
 - iii. describe the effectiveness of any actions taken to prevent or mitigate

- any identified impacts construction;
 - iv. include the results of analyses and monitoring programs and any recommendations arising therefrom; and
 - v. include a log of all complaints received by Union, including the date/time the complaint was received, a description of the complaint, any actions taken to address the complaint, the rationale for taking such actions.
8. For the purposes of these conditions, conformity of Union with CSA Z341.1-14 shall be to the satisfaction of the Ministry of Natural Resources and Forestry.

Appendix B
to
OEB Staff Submission

Draft Conditions of Approval

Leave to Construct

**Leave to Construct Conditions of Approval
Application under Section 90 of the OEB Act
Union Gas Limited
EB-2017-0363**

1. Union Gas Limited (Union) shall construct the facilities and restore the land in accordance with the Board's Decision and Order in EB-2017-0363 and these Conditions of Approval.
2. (a) Authorization for leave to construct shall terminate 12 months after the decision is issued, unless construction has commenced prior to that date.

(b) Union shall give the OEB notice in writing
 - i. of the commencement of construction, at least ten days prior to the date construction commences;
 - ii. of the planned in-service date, at least ten days prior to the date the facilities go into service;
 - iii. of the date on which construction was completed, no later than 10 days following the completion of construction; and
 - iv. of the in-service date, no later than 10 days after the facilities go into service.
3. Union shall implement all the recommendations of the Environmental Protection Plan filed in the proceeding, and all the recommendations and directives identified by the Ontario Pipeline Coordinating Committee review.
4. Union shall advise the OEB of any proposed change to OEB-approved construction or restoration procedures. Except in an emergency, Union shall not make any such change without prior notice to and written approval of the OEB. In the event of an emergency, the OEB shall be informed immediately after the fact.

5. Both during and after construction, Union shall monitor the impacts of construction, and shall file with the OEB one paper copy and one electronic (searchable PDF) version of each of the following reports:
- (a) a post construction report, within three months of the in-service date, which shall:
 - i. provide a certification, by a senior executive of the company, of Union's adherence to Condition 1;
 - ii. describe any impacts and outstanding concerns identified during construction;
 - iii. describe the actions taken or planned to be taken to prevent or mitigate any identified impacts of construction;
 - iv. include a log of all complaints received by Union, including the date/time the complaint was received, a description of the complaint, any actions taken to address the complaint, the rationale for taking such actions; and
 - v. provide a certification, by a senior executive of the company, that the company has obtained all other approvals, permits, licences, and certificates required to construct, operate and maintain the proposed project.

 - b) a final monitoring report, no later than fifteen months after the in-service date, or, where the deadline falls between December 1 and May 31, the following June 1, which shall:
 - i. provide a certification, by a senior executive of the company, of Union's adherence to Condition 3;

- ii. describe the condition of any rehabilitated land;
- iii. describe the effectiveness of any actions taken to prevent or mitigate any identified impacts construction;
- iv. include the results of analyses and monitoring programs and any recommendations arising therefrom; and
- v. include a log of all complaints received by Union, including the date/time the complaint was received, a description of the complaint, any actions taken to address the complaint, the rationale for taking such actions.