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**BY E-MAIL**

April 29, 2011

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto ON M4P 1E4

Dear Ms. Walli:

Re: Board Staff Submission - Union Gas Limited Red-Lake Project Applications  
File Nos. EB-2011-0040; EB-2011-0041; EB-2011-0042

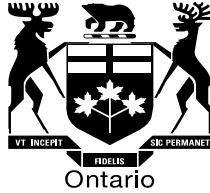
Please find attached Board staff submission. Please forward the following to Union Gas Limited and to all other registered parties to this proceeding.

Sincerely,

*Original Signed By*

Zora Crnojacki  
Project Advisor – Natural Gas Applications

Attachment



**ONTARIO ENERGY BOARD**

**STAFF SUBMISSION**

**UNION GAS LIMITED**

**EB-2011-0040/EB-2011- 0041/EB-2011-0042**

**LEAVE TO CONSTRUCT A NATURAL GAS PIPELINE**

**IN THE TOWNSHIP OF EAR FALLS AND THE MUNICIPALITY OF RED LAKE,  
BOTH IN THE DISTRICT OF KENORA**

**GAS FRANCHISE AGREEMENT WITH THE MUNICIPALITY OF RED LAKE**

**CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR THE  
MUNICIPALITY OF RED LAKE**

April 29, 2011

## Background

Union Gas Limited (the "Applicant" or "Union") filed applications with the Ontario Energy Board (the "Board") on February 8, 2011 relating to proposed natural gas facilities and services in the Red Lake area. The applications were filed together and consist of requests for Leave to Construct a natural gas pipeline, a Municipal Franchise Agreement for the Municipality of Red Lake ("Red Lake" or "Municipality") and a Certificate of Public Convenience and Necessity ("CPCN") for Red Lake. The Board has assigned the Leave to Construct application file number EB-2011-0040; the franchise application file number EB-2011-0041; and the CPCN application file number EB-2011-0042.

The Leave to Construct application, filed under section 90 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B is for an order granting leave to construct this project, which Union proposed would be developed in two phases.

Phase I consists of approximately 43.6 km of nominal pipe size ("NPS") 8 (eight inch diameter) pipeline (the "Red Lake Lateral") and of 4 sections of NPS 8 and NPS 4 pipelines delivering gas to Goldcorp Inc.'s mine sites in Balmertown and Cochenour. Union stated that the financing is completed for Phase I and that the planned in-service date for Phase I is November 2011.

Phase II consists of NPS 4 and NPS 2 distribution pipelines that would connect to the Red Lake Lateral and provide natural gas to residential and commercial customers within the Municipality of Red Lake. Union indicated that there is no specific timeline for construction of Phase II because the financing is not secured at this point in time. Detailed descriptions of both Phase I and Phase II pipeline routes are provided in the section of these submissions dealing with the proposed route.

In addition to the Leave to Construct application Union also filed applications for approval of a gas franchise agreement with the Municipality and a Certificate of Public Convenience and Necessity to construct works in the Municipality.

Union has filed an application under section 9 of the *Municipal Franchises Act, R.S.O. 1990*, c. M.55, as amended, for an order of the Board approving the terms and conditions upon which and the period for which the Corporation of the Municipality of Red Lake (the "Corporation") is, by by-law, to grant to the Applicant the right to

construct and operate works for the distribution of gas and the right to extend and add to the works in the Municipality. The proposed Franchise Agreement is in the form of the 2000 Model Franchise Agreement with no amendments and is for a term of twenty (20) years. The Applicant has also applied for an order of the Board declaring and directing that the assent of the municipal electors to the by-law is not necessary.

Union has also applied for a Certificate of Public Convenience and Necessity to construct works to supply gas to the inhabitants of the Corporation. This would be the first such certificate for the Corporation. Union has a Certificate of Public Convenience and Necessity (EBC 55) and a valid franchise agreement (EBA 129) for the Township of Ear Falls.

### **Proceeding to Date**

The Board issued a Notice of Applications and Hearing ("Notice") on March 8, 2011. Union served and published the Notice as directed by the Board.

Goldcorp Inc. has registered as an intervenor in the proceeding in support of the applications. Enbridge Gas Distribution Inc. has registered as an observer in the proceeding.

On March 24, 2011, Goldcorp filed with the Board 10 letters of support including: The Corporation of the Municipality of Red Lake, Red Lake Margaret Cochenour Memorial Hospital, Ontario Provincial Police Red Lake Detachment, Red Lake Indian Friendship Centre, Red Lake Airport, Sunset Lodge on Red Lake, Chukuni Community Development Corporation, North American Lumber, Red lake Branch, Two Feathers Forest products, LP and Red Lake District High School.

On March 29, 2011 the Board issued Procedural Order No. 1 which set the schedule for a written proceeding. In accordance with the procedural schedule, Board Staff filed interrogatories ("IRs") on April 11, 2011. Union responded to all IRs on April 19, 2011. This Board Staff submission has been filed pursuant to the Procedural Order No. 1 dated March 29, 2011. Board staff generally supports Union's applications.

## **Board Staff Submissions**

Board staff has no issues or concerns regarding Union's applications for a Franchise Agreement with the Municipality of Red Lake or for a CPCN. Board staff supports these applications.

Regarding the Leave to Construct application, Board staff support the application. Board staff have however, proposed two separate sets of conditions to address the two phases of this project: (i) Phase I conditions and (ii) Phase II conditions, which are included in Appendix A and Appendix B respectively to this submission. The conditions are for the Board's consideration should the Board grant the approval. The conditions encompass both standard conditions of approval for Leave to Construct applications as well as project specific conditions associated with unique features of each phase of the project. In Board staff's submission, the public interest would be served if the Board were to make a favourable finding approving the Phase I and Phase II of the project, subject to the proposed conditions.

The Board staff submissions address the following issues:

- Project Need;
- Proposed Facilities;
- Economics and Financing;
- Land Matters;
- Pipeline Design Specifications; and
- Environmental Matters.

## **Project Need**

Union's evidence describes the need for the project as two-fold, corresponding to the phased approach to the project:

- Phase I need is to serve the mining operations of Goldcorp Inc. (owner of Red Lake Gold Mines); and
- Phase II need is to serve the residents and small businesses of the Municipality of Red Lake.

For the Goldcorp mining operations, the primary benefit is described as better energy cost-effectiveness as natural gas would be replacing other energy types currently in use. This will provide the benefit of cost efficiency improvements for the Goldcorp mining operations. The evidence also describes the benefits of the potential for developing gas-driven electricity generation to serve the mining operations.

Phase II of the project will provide gas service to the residents and businesses of Red Lake. These users would constitute the group of customers directly benefitting from the Phase II portion of the project. The project is anticipated to provide lower heating and energy costs for the residential and commercial customer groups

Union identified other benefits associated with the project. These were described as: reduced air emissions, payment of utility taxes to various levels of government, and the generation of employment opportunities.

Union stated that the Red Lake municipal council and members of the general public have expressed their support for the project.

Goldcorp is clearly in favour of this project, as evidenced by two (2) ten-year Northern Gas Distribution Contracts between Goldcorp<sup>1</sup> and Union. Goldcorp is committed to paying a significant capital contribution towards the construction of Phase I. Goldcorp sent a letter to the Board dated March 23, 2011, urging the Board to approve the project. In the letter Goldcorp cited energy cost savings at its Red Lake mining operations as a major impetus underlying its desire to proceed with the project.

With respect to the need for Phase I, it is Board staff's submission that there is sufficient evidence supporting the need for the project. In Board staff's submission, the public interest would be served if the Board made a favourable finding approving the Phase I of the project, subject to the conditions proposed by Board staff. No party has objected to it: on the contrary there is ample evidence of support in the community and evidence that the project will yield economic benefits.

Red Lake wants gas service in the community, as evidenced by its council passing the by-law to authorize a franchise agreement between itself and Union Gas Limited (By-

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<sup>1</sup> The parties to the contracts are Union Gas Limited and Red Lake Gold Mines. Goldcorp and Red Lake Gold Mines are used interchangeably in the evidence. Board staff assumes they refer to the same company.

Law No. 1409-10). Union cited a September 2010 residential survey conducted by Ipsos Reid that indicated that 60% of residents would likely switch to natural gas heating if available. The current energy sources for heating homes in Red Lake are propane, fuel oil and electricity. Union also obtained a survey of commercial facilities in Red Lake from Clow Darling consultants in September 2010. About 65% of the respondents (150 surveys were completed) expressed some interest in converting to natural gas heating systems, mostly within the first 12 months. In addition to these surveys, Union provided in evidence (Schedule 2, page 1) a Phase II forecast of customer attachments. By the end of the tenth year a total of 1,221 residential and 206 commercial customer attachments are forecasted.

With respect to Phase II, Board staff's view is that the evidence shows that on the basis of need, Union has offered sufficient evidence that the project is needed and desired. There is a reasonable expectation that the project will result in energy costs savings to the small businesses and residents of Red Lake. Board staff notes that letters of support for the project are from the Municipality of Red Lake and businesses in the Municipality which would be directly affected by the Phase II of the project.

### **Proposed Facilities**

The Phase I facilities (also known as the Red Lake Lateral) will commence at Union's existing facilities at the Bruce Lake Mine site located in the Township of Ear Falls, and will proceed along the Highway 105 until it reaches the intersection of Highway 105 and Highway 125 called Harry's Corner. From Harry's Corner the NPS 8 pipeline will continue north along Highway 125 for 6.4 kilometres and then continue across Goldorp land for 1.15 km to connect to the Balmertown mine complex. The pipeline will continue as NPS 4 for about 1.1 kilometres northeast along Highway 125 and run for additional 5.6 km as NPS 4 to the Cochenour Mine Site.

Phase II of the expansion will provide distribution pipe into the Municipality of Red Lake. It will involve constructing distribution pipelines to provide natural gas service to the residents and businesses of Red Lake, Balmertown, Cochenour, Chukuni River Subdivisions. The following distribution pipelines are proposed for the Phase II: about 2 km (1,934 m) of steel NPS 4 pipe; about 60 metres of steel NPS 2 pipe; about 5 km (5,175 m) of plastic NPS 4 pipe; and about 40 km (39, 232 m) of plastic NPS 2 pipe.

In response to the IR # 1, Union stated that the capacity of the Red Lake Lateral was planned and designed to be above the demand of the Goldcorp operations alone to provide for the anticipated capacity needed for Phase II of the project. Furthermore, Union stated in response to the IR # 16 that the capacity of the proposed Phase I facilities is 13,961 m<sup>3</sup>/h, and that it expected that Goldcorp will use 72% while the residents and small businesses in Red Lake will use 28% of the capacity in Phase II.

Board staff have no concerns with the proposed routing for Phase I and Phase II. Board staff notes that the Board's approval of Franchise Agreement and the CPCN will provide for the Phase II distribution system expansions by Union within the municipal road allowances.

### **Project Economics and Financing**

Board staff submissions on the project economic and financing are focused on the public interest question: Are there any undue negative rate implications for Union's rate payers caused by the construction and operation of the proposed pipelines?

Given the phased nature of the project, the financing and economics are reviewed separately, as follows.

#### **Phase I Economics**

The estimated capital cost for Phase I is \$27.3 million<sup>2</sup>.

The Phase I discounted cash flow analysis shows that it requires a contribution in aid of construction ("CIAC") to allow the project to reach a profitability index of 1 (PI=1). A PI of 1 indicates that the project is in alignment with Union's cost of capital on a stand-alone basis. It is also an indication that the existing ratepayers of Union will not be negatively financially impacted by the project. The CIAC was calculated at \$25.6 million and Goldcorp has committed to make this funding contribution. The relatively large CIAC indicates that Goldcorp is willing to assume most of the project's associated

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<sup>2</sup> In the evidence filed on February 8, 2011 the estimated capital costs for Phase I were \$26.905 million. On April 19, 2011, Union revised this estimate, in response to IR #2, to add \$400,000 for NPS 8 instead of NPS 6 diameter pipeline segment connecting to the Balmertown mine site to allow for more flexibility on the system.



financial risk. Union's existing ratepayers would be exposed to only Union's portion of funding which Union cited as \$1.3 million<sup>3</sup>. Board staff agrees with Union that this amount is not material nor will Union's ratepayers bear any significant financial risks with Phase I.

Board staff notes that, according to the evidence, Goldcorp has agreed to provide the full required amount of the CIAC for Phase I construction, with a caveat that an amount of \$7.0 million of that contribution be re-paid to Goldcorp by the Municipality prior to Phase II construction.<sup>4</sup>

With respect to Phase I, it is Board staff's submission that the project is economically feasible and poses no significant risk to Union nor will it impose any undue negative rate implications. The analysis is appropriately based on the Board's E.B.O. 188 guidance. On a "stand alone basis" Phase I project is feasible (with a PI=1) given the capital contribution by the Goldcorp.

Union has indicated that Goldcorp's CIAC funds are available to support the construction. The evidence is that the funding agreement for Phase I is in place and therefore Board staff submits that the project could be approved on that basis.

On March 11, 2011, Goldcorp signed two ten year contracts with Union for natural gas service. The first is a Rate 10 contract for the Cochenour Complex and the second is a Rate 20 contract for the Balmertown complex. The Rate 20 contract will be upgraded to a Rate 100 on November 1, 2014 when Goldcorp has all of its new gas generation facilities in place.

For Phase I, the terms of service and the associated revenue to Union will initially be set under Union's Rate 20 and ultimately Rate 100, reflecting the need for greater gas volumes to the mining operations expected in 2014. The transportation contracts were filed in response to IR #5.

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<sup>3</sup> Union's response to IR #10 states the amount to be \$1.3 million. Board staff questions if this amount should be updated to \$1.7 million to reflect the updated capital cost estimate which has increased by \$0.4 million. Board staff invites Union to respond in its Reply.

<sup>4</sup> The Red Lake Council Resolution attached by Union in response to IR # 16, contains a statement that the \$7.0 million advance payment "is at Goldcorp's risk".

With respect to reporting on actual construction costs, Board staff notes that the actual costs will not be available until the project is completed. For this reason, Board staff proposed a condition that would impose a 15-month window to file Phase I actual construction costs. Union requested that the report deadline be extended to 18 months to mirror its executed contract with Goldcorp. Board staff submits that there should be no issue with Union's request. Board staff notes that Union had no objection to the 15-month window drafted for Phase II.

Board Staff therefore proposes that the Board include the following as a Condition of Approval should the leave to construct order be granted:

- 1.6 Within 18 months of the final Phase I in-service date, Union shall file with the Board Secretary a Post Construction Financial Report. The Report shall indicate:
- a) the actual capital costs of the project and an explanation for any significant variances from the estimates filed in this proceeding.
  - b) the actual capital costs for the project borne by Union and the actual costs contributed towards construction by Goldcorp including the method and the actual cost inputs used to determine the final amount of the contribution by Goldcorp.

### Phase II Economics

Phase II has an estimated capital cost of \$12 million. The Phase II project requires a CIAC of \$4.9 million to elevate it from a PI of 0.64 to a PI=1 on a stand-alone basis. In light of this, Red Lake would therefore be required to contribute \$4.9 million.

This \$4.9 million is in addition to the \$7.0 million "loan" repayment to Goldcorp for the Phase I CIAC that it made on the municipality's behalf. Board staff notes that this means the Municipality must secure a total of \$11.9 million in funding contributions in order for Phase II to proceed (i.e., \$4.9 plus \$7.0). Red Lake in the Resolution of the Council of the Municipal Corporation, filed on the record and dated November 20, 2010, has indicated that it is seeking funds from government sources but did not provide any other details.

Board staff notes that the contractual arrangements underpinning the gas supply agreements and the CAIC between Union Gas Limited and Red Lake are not filed on the record, in part because the funding has not yet been formally arranged. Board staff submits that for transparency and for the Board to appropriately discharge its duties, it is necessary to have the details of funding arrangements filed on the public record. Therefore, Board staff have proposed the following condition relating to Phase II construction:

- 1.7 Prior to construction of gas facilities for Phase II and the operation of such facilities, Union shall file with the Board documentation, including a full disclosure of any financial arrangements, including those related to contributions in aid of construction from the Municipality of Red Lake or any other party. Union shall file these documents with the Board at the same time as they are executed.

With respect to Phase II, Board staff submits that if the required funding is obtained, the project will then be economically feasible on a stand-alone basis with a PI=1. It would pose no significant risk to Union nor will it have any undue negative rate implications. Board staff agree with Union that Phase II should not proceed until the required funding materializes. In addition, Board staff is proposing that conditions of approval for Phase II include a requirement that Union file its discounted cash flow analysis with NPV and PI demonstrating that indeed there is no potential for significant cross subsidy of the Red Lake distribution expansion by its other customers:

- 1.8 Prior to construction commencement, with respect to Phase II, Union shall file with the Board, as soon as the inputs are available, the Discounted Cash Flow analysis, on stand-alone basis, with Net Present Value and Profitability Index, completed in accordance with the requirements and methodology set in the Ontario Energy Board's EBO 188 Report.

With respect to reporting on actual construction costs, Board staff notes that the actual costs will not be available until the project is complete. Therefore the following condition was proposed by Board staff in the IR # 28 and was not opposed by Union in its response to this IR:

- 1.9 Within 15 months of the final Phase II in-service date, Union shall file with the Board Secretary a Post Construction Financial Report. The Report shall indicate:

- a) the actual capital costs of the project Phase II and an explanation for any significant variances from the estimates filed in this proceeding.
- b) the actual capital costs for the project borne by Union and the actual costs contributed towards construction including the method and the actual cost inputs used to determine the final amount of the contributions.

Given the uncertainty of the timing associated with Phase II of the project, Union requested that there should be no construction start date or termination date attached as a Board condition of approval. Board staff does not agree with this request. In Board staff's submission, matters such as Leave-to-Construct new facilities should not be left open-ended. This is because facts and circumstances related to construction projects change over time and for this reason, the Board should issue approvals within a reasonable and certain timing window. Board staff notes that the Phase II timing uncertainty is related to securing the necessary funding. Given that the issue is around arranging funding, it seems reasonable to Board staff that this could be completed in 3 years time, and if successful, would allow construction to commence within this timeframe. Board staff notes that discussions around this project have been underway for some time before the application was filed. This would indicate the likelihood that work on the financing front was likely well underway prior to the February 2011 filing.

Should the Board accept Board staff's proposed condition, and the LTC Order is about to expire, it is staff's submission that Union is free to advance an extension application and the Board will respond appropriately. Board staff submits that there should be a condition attached to the LTC Order with a 3-year termination date for Phase II meaning that it would expire on December 31, 2014<sup>5</sup>. Board staff therefore proposes such a condition, but invites Union in Reply to explain to the Board why an open-ended termination should be approved for Phase II of this project. Board staff proposes the following condition Phase II:

- 1.2 Unless otherwise ordered by the Board, authorization for Leave to Construct Phase II shall terminate on December 31, 2014, unless construction has commenced prior to that date.

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<sup>5</sup> Board staff notes that the project's termination date was proposed by staff, and accepted by Union (in IRR #28) as December 31, 2011. Board staff proposes to retain this date for Phase I. Union is invited to respond in its Reply with respect to Phase II proposed condition 1.2.

## Land Matters

Union's evidence is that pipelines for both Phase I and Phase II of the project will be located mainly within road allowances except for a few short sections on private lands which require easement agreements with landowners.

The Red Lake Lateral will be constructed primarily within the road allowance of Highway 105 with the exception of a 1.7 kilometre section from the Bruce Lake Mine site to the Highway 105 right-of-way at the starting point of the Red Lake Lateral.

The most of Phase II pipelines will be located within road allowances. Union indicated that due to the physical layout of the Red Lake area, easements may be required on private land as final pipeline running lines are determined during construction.

Board staff submit that pursuant to section 97 of the OEB Act, Union has to satisfy the Board that it "has offered or will offer to each owner of land affected by the approved route or location an agreement in a form approved by the Board."

Board staff note that Union filed a form of easement that Union will offer to all landowners at Schedule 17 of the pre-filed evidence. Union confirmed that this form of agreement, previously approved by the Board, shall be offered to all the landowners when negotiating easement rights for Phase I and Phase II of the project. Board staff has no issues regarding the land matters associated with Phase I and Phase II as long as Union offers Board approved forms of easement agreement be used by Union when making offers to the landowners as specified in the proposed conditions for both Phase I and Phase II.

4.1 Union shall offer the form of agreement approved by the Board to each landowner, as may be required, along the route of the proposed work.

In addition to easements required for pipelines location and construction, Union is also planning on purchasing the land for four station sites, one for Phase I and three for Phase II. The station site for Phase I is on property owned by Goldcorp. Union and Goldcorp are negotiating purchase and sale agreement for this site. Three locations for the stations for Phase II are on property owned by the Municipality of Red Lake. Union stated in response to IR # 24 that "no work will be completed on these sites until Phase II moves forward." Union stated that it will negotiate Agreements of Purchase and Sale

for these sites with the closing of the purchases conditional upon approval of the Project. Board staff has no concerns with the proposed land purchases by Union for four station sites.

### **Pipeline Design Specifications**

Union's evidence on the design and pipe specifications for the steel and polyethylene pipelines for Phase I and Phase II are given in Schedule 9.1 and 9.2, respectively.

The design, installation, and testing of the pipelines will conform to the requirements of *Ontario Regulation 210/01* under the *Technical Standards and Safety Act 2000, Oil and Gas Pipeline Systems*.

Union confirmed that all steel pipelines will be manufactured by the electric resistance welding process in accordance with the *Canadian Standards Association 2245.1-07 Steel Line Pipe Standard for Pipeline Systems and Materials*. Union also confirmed that all polyethylene pipe and fittings will be manufactured and certified in accordance with the *Canadian Standards Association B137.4-09 Polyethylene (PE) Piping systems for Gas Services*.

The minimum depth of cover to the top of the pipe and pipe appurtenances will be in accordance with the requirements of Clause 4.11 of the *CSA Code 2662-07* for steel piping and Clause 12.4.7 of the *CSA Code 2662-07* for polyethylene piping. Additional depth will be provided to accommodate existing or planned underground facilities, or where greater depth of excavation is warranted.

Union indicated that it will provide inspection staff to enforce Union's construction specifications and *Ontario Regulation 210/01* under the *Technical Standards and Safety Act 2000, Oil and Gas Pipeline Systems*.

The Technical Standards Safety Authority ("TSSA") has reviewed and accepted the design and pipe specifications for the Red Lake project. A copy of correspondence from TSSA can be found in Union's response to Board Staff Interrogatory # 19.

In Board staff's view Union's evidence demonstrates that the proposed pipelines for both Phase I and Phase II are designed in accordance with the requirements of *Ontario Regulation 210/01, Oil and Gas Pipeline Systems*, under the *Technical Standards and*

Safety Act, 2008 and the CSA Z662-07 Oil and Gas Pipeline Systems standard. Board staff notes that the TSSA reviewed the pipeline design specification and did not raise any issues regarding the construction and operation of the pipelines. The TSSA is the agency primarily responsible for implementation of pipeline design and safety requirements.

### **Environmental Matters**

An environmental assessment and routing study was completed by Union's Environmental Planning Department with a background environmental information report prepared by the independent consulting firm of KBM Forestry Consultants Inc. Union filed its environmental report entitled "Red Lake Pipeline Project, Environmental Protection Plan" dated December 2010 ("ER") as Schedule 13 in the pre-filed evidence.

The ER was submitted to the Ontario Pipeline Co-ordination Committee (OPCC) for review on January 21, 2011. Copies of the ER were also submitted to local agencies, municipalities, First Nations and Métis Nation. Union conducted a community information session on November 25, 2010 at the Heritage Centre in Red Lake as part of the environmental assessment process.

Union confirmed, in response to Board staff IR # 22, that the ER covers Phase I and Phase II pipelines and addresses the following areas: watercourse crossings, archaeology, water wells, blasting, environmental protection areas, hazard land, species at risk and mitigation.

There are 32 watercourses associated with both phases of the Project. Union stated it would adhere to the agreement with the Department of Fisheries and Oceans ("DFO"), Ontario Great Lakes Area, 2008). This agreement allows Union to conduct watercourse crossings under a specific set of conditions and mitigation measures without DFO review.

Union indicated that bedrock is located along the proposed routes for both Phase I and Phase II. Union anticipates that blasting will be required during the construction along the most of the length of the pipeline routes for both phases, with mechanical removal methods in some locations. Union included in the evidence as Schedule 12 "Specifications for Rock Excavation" which include detailed specifications for blasting.

Union confirmed that it will follow its standard rock removal specifications in Schedule 12 and additional recommendations outlined in the ER for rock removal. Board staff proposes that a condition be included for approval of both Phase I and Phase II that would address blasting during construction:

- 1.4 During construction, Union will apply its “Specification for Rock Removal” in Schedule 12 of the pre-filed evidence and any other applicable municipal, provincial, and national regulations or standards applicable to blasting and mechanical rock removal.

The ER (Schedule 13, page 11) states Union’s plan to develop a water well monitoring program in consultation with an independent hydrogeologist. Board staff supports the Union’s implementation of this program.

A summary and copies of communications and comments from the OPCC and other parties regarding the project is included in updated Schedule 16 of the pre-filed evidence in response to Board Staff IR #19.

As the Phase II construction start can occur within several years, in response to Board staff IR # 22 Union proposed that it update the ER by completing an environmental screening as set in the EBO 188. Board staff submits that the environmental screening methodology would be appropriate as the Phase II pipelines, in terms of the design, location and size, can be considered distribution system expansion pipelines which are addressed in EBO 188. Accordingly, Board staff suggests the following condition be included in the Phase II approval:

- 1.5 Prior to Phase II construction start, Union shall file with the Board a report on the environmental screening conducted pursuant to “Environmental Screening Principles for Distribution System Expansion Projects by Ontario Natural Gas Utilities” as outlined in the Ontario Energy Board’s E.B.O. 188 Report.

According to Union’s response to Board staff IR # 15, there are a number of additional environmental and construction approvals that Union will have to obtain prior to construction of Phase I and Phase II. Board staff proposes to include a condition 5.1 addressing this matter, for both Phase I and Phase II, as follows:



- 5.1 Union shall obtain all other approvals, permits, licences, and certificates required to construct, operate and maintain the proposed project, shall provide a list thereof, and shall provide copies of all such written approvals, permits, licences, and certificates upon the Board's request.

Generally, Board staff has no concerns regarding the environmental matters related to Phase I and Phase II given Union's commitment to implementing all the plans and measures in the pre-filed evidence and its adherence to the proposed conditions of approval for both Phase I and Phase II.

All of which is respectfully submitted.

## **Appendix A**

**Union Gas Limited  
Leave to Construct Application  
EB-2011-0040**

**Board Staff Proposed Draft  
Conditions of Approval**

**PHASE I**

**Union Gas Limited  
Leave to Construct Application  
EB-2011-0040  
Board Staff Proposed Draft  
Conditions of Approval**

**PHASE I**

**1 General Requirements**

- 1.1 Union Gas Limited ("Union") shall construct the facilities and restore the land in accordance with its application and the evidence filed in EB-2011-0040 except as modified by this Order and these Conditions of Approval.
- 1.2 Unless otherwise ordered by the Board, authorization for Leave to Construct Phase I shall terminate on December 31, 2011, unless construction has commenced prior to that date.
- 1.3 Union shall implement all the recommendations of the Environmental Report filed in the pre-filed evidence, and all the recommendations and directives identified by the Ontario Pipeline Coordinating Committee ("OPCC") review.
- 1.4 During construction, Union will apply its "Specification for Rock Removal" in Schedule 12 of the pre-filed evidence and any other applicable municipal, provincial, and national regulations or standards applicable to blasting and mechanical rock removal.
- 1.5 Union shall advise the Board's designated representative of any proposed material change in construction or restoration procedures and, except in an emergency, Union shall not make such change without prior approval of the Board or its designated representative. In the event of an emergency, the Board shall be informed immediately after the fact.
- 1.6 Within 18 months of the final Phase I in-service date, Union shall file with the Board Secretary a Post Construction Financial Report. The Report shall indicate:
  - a) the actual capital costs of the project Phase I and an explanation for any significant variances from the estimates filed in this proceeding.
  - b) the actual capital costs for the project borne by Union and the actual costs contributed towards construction by the Goldcorp including the method and the actual cost inputs used to determine the final amount of the contribution by the Goldcorp.

## **2 Project and Communications Requirements**

- 2.1 The Board's designated representative for the purpose of these Conditions of Approval shall be the Manager, Natural Gas Applications.
- 2.2 Union shall designate a person as project engineer and shall provide the name of the individual to the Board's designated representative. The project engineer will be responsible for the fulfillment of the Conditions of Approval on the construction site. Union shall provide a copy of the Order and Conditions of Approval to the project engineer, within seven days of the Board's Order being issued.
- 2.3 Union shall give the Board's designated representative and the Chair of the OPCC ten days written notice in advance of the commencement of the construction.
- 2.4 Union shall furnish the Board's designated representative with all reasonable assistance for ascertaining whether the work is being or has been performed in accordance with the Board's Order.
- 2.5 Union shall file with the Board's designated representative notice of the date on which the installed pipelines were tested, within one month after the final test date.
- 2.6 Union shall furnish the Board's designated representative with five copies of written confirmation of the completion of construction. A copy of the confirmation shall be provided to the Chair of the OPCC.

## **3 Monitoring and Reporting Requirements**

- 3.1 Both during and after construction, Union shall monitor the impacts of construction, and shall file four copies of both an interim and a final monitoring report with the Board. The interim monitoring report shall be filed within six months of the in-service date, and the final monitoring report shall be filed within fifteen months of the in-service date. Union shall attach a log of all complaints that have been received to the interim and final monitoring reports. The log shall record the times of all complaints received, the substance of each complaint, the actions taken in response, and the reasons underlying such actions.
- 3.2 The interim monitoring report shall confirm Union's adherence to Condition 1.1 and shall include a description of the impacts noted during construction and the actions taken or to be taken to prevent or mitigate the long-term effects of the impacts of construction. This report shall describe any outstanding concerns identified during construction.

- 3.3 The final monitoring report shall describe the condition of any rehabilitated land and the effectiveness of any mitigation measures undertaken. The results of the monitoring programs and analysis shall be included and recommendations made as appropriate. Any deficiency in compliance with any of the Conditions of Approval shall be explained.

### **Easement Agreements**

- 4.1 Union shall offer the form of agreement approved by the Board to each landowner, as may be required, along the route of the proposed work.

### **5 Other Approvals**

- 5.1 Union shall obtain all other approvals, permits, licences, and certificates required to construct, operate and maintain the proposed project, shall provide a list thereof, and shall provide copies of all such written approvals, permits, licences, and certificates upon the Board's request.

## **Appendix B**

**Union Gas Limited  
Leave to Construct Application  
EB-2011-0040**

**Board Staff Proposed Draft  
Conditions of Approval**

**PHASE II**

**Union Gas Limited  
Leave to Construct Application  
EB-2011-0040  
Board Staff Proposed Draft  
Conditions of Approval**

**PHASE II**

**1 General Requirements**

- 1.1 Union Gas Limited ("Union") shall construct the facilities and restore the land in accordance with its application and the evidence filed in EB-2011-0040 except as modified by this Order and these Conditions of Approval.
- 1.2 Unless otherwise ordered by the Board, authorization for Leave to Construct Phase II shall terminate on December 31, 2014, unless construction has commenced prior to that date.
- 1.3 Union shall implement all the recommendations of the Environmental Report filed in the pre-filed evidence, and all the recommendations and directives identified by the Ontario Pipeline Coordinating Committee ("OPCC") review.
- 1.4 During construction, Union will apply its "Specification for Rock Removal" in Schedule 12 of the pre-filed evidence and any other applicable municipal, provincial, and national regulations or standards applicable to blasting and mechanical rock removal.
- 1.5 Prior to Phase II construction start, Union shall file with the Board a report on the environmental screening conducted pursuant to "Environmental Screening Principles for Distribution System Expansion Projects by Ontario Natural Gas Utilities" as outlined in the Ontario Energy Board's E.B.O. 188 Report.
- 1.6 Union shall advise the Board's designated representative of any proposed material change in construction or restoration procedures and, except in an emergency, Union shall not make such change without prior approval of the Board or its designated representative. In the event of an emergency, the Board shall be informed immediately after the fact.
- 1.7 Prior to construction of gas facilities for Phase II and the operation of such facilities, Union shall file with the Board documentation, including a full disclosure of any financial arrangements, including those related to contributions in aid of construction from the Red Lake or any other party. Union shall file these documents with the Board at the same time as they are executed.
- 1.8 Prior to construction commencement, with respect to Phase II, Union shall file with the Board, as soon as the inputs are available, the Discounted Cash Flow

analysis, on stand-alone basis, with Net Present Value and Profitability Index, completed in accordance with the requirements and methodology set in the Board's Report EBO 188.

- 1.9 Within 15 months of the final Phase II in-service date, Union shall file with the Board Secretary a Post Construction Financial Report. The Report shall indicate:
- a) the actual capital costs of the project Phase II and an explanation for any significant variances from the estimates filed in this proceeding.
  - b) the actual capital costs for the project borne by Union and the actual costs contributed towards construction including the method and the actual cost inputs used to determine the final amount of the contributions.

## **2 Project and Communications Requirements**

- 2.1 The Board's designated representative for the purpose of these Conditions of Approval shall be the Manager, Natural Gas Applications.
- 2.2 Union shall designate a person as project engineer and shall provide the name of the individual to the Board's designated representative. The project engineer will be responsible for the fulfillment of the Conditions of Approval on the construction site. Union shall provide a copy of the Order and Conditions of Approval to the project engineer, within seven days of the Board's Order being issued.
- 2.3 Union shall give the Board's designated representative and the Chair of the OPCC ten days written notice in advance of the commencement of the construction.
- 2.4 Union shall furnish the Board's designated representative with all reasonable assistance for ascertaining whether the work is being or has been performed in accordance with the Board's Order.
- 2.5 Union shall file with the Board's designated representative notice of the date on which the installed pipelines were tested, within one month after the final test date.
- 2.6 Union shall furnish the Board's designated representative with five copies of written confirmation of the completion of construction. A copy of the confirmation shall be provided to the Chair of the OPCC.



### **3 Monitoring and Reporting Requirements**

- 3.1 Both during and after construction, Union shall monitor the impacts of construction, and shall file four copies of both an interim and a final monitoring report with the Board. The interim monitoring report shall be filed within six months of the in-service date, and the final monitoring report shall be filed within fifteen months of the in-service date. Union shall attach a log of all complaints that have been received to the interim and final monitoring reports. The log shall record the times of all complaints received, the substance of each complaint, the actions taken in response, and the reasons underlying such actions.
- 3.2 The interim monitoring report shall confirm Union's adherence to Condition 1.1 and shall include a description of the impacts noted during construction and the actions taken or to be taken to prevent or mitigate the long-term effects of the impacts of construction. This report shall describe any outstanding concerns identified during construction.
- 3.3 The final monitoring report shall describe the condition of any rehabilitated land and the effectiveness of any mitigation measures undertaken. The results of the monitoring programs and analysis shall be included and recommendations made as appropriate. Any deficiency in compliance with any of the Conditions of Approval shall be explained.

### **Easement Agreements**

- 4.1 Union shall offer the form of agreement approved by the Board to each landowner, as may be required, along the route of the proposed work.

### **5 Other Approvals**

- 5.1 Union shall obtain all other approvals, permits, licences, and certificates required to construct, operate and maintain the proposed project, shall provide a list thereof, and shall provide copies of all such written approvals, permits, licences, and certificates upon the Board's request.