

TRIBUTE'S ANSWERS TO QUESTIONS RAISED IN HURON COUNTY FEDERATION
OF AGRICULTURE'S NOTICE OF MOTION

Item #1

Reference: Binder B4 – Sections B4 – Pages 1-23 – PIPELINE ROUTE MAPS

Preamble:

On page 23 of these maps there is an arrow pointing south indicating the geographic Township of Goderich.

Question 2.5 – 2d:

What is the significance of the arrow and the reasoning of the language?

Answer:

The notation indicates the dividing line between the former Township of Stanley and the former Township of Goderich both of which are now part of the Municipality of Bluewater.

Grounds for further information –

The former Goderich Twp. is actually north, NOT south of the former Stanley Twp. The dividing line between the two townships is actually the Bayfield River. The Twp. of Goderich is not and never was a part of the municipality of Bluewater! It is part of the Municipality of Central Huron.

Tribute's answer is WRONG. Without a proper interpretation of this map, it is difficult for anyone to understand what significance this map has on this application.

Follow-up Answer:

Tribute contacted FKS Land Surveyors, the consultants to Tribute who had prepared the map in Binder 4 – Section B4 – Pages 1-23 titled "Pipeline Route Maps" and sent a copy of HCFA's question, along with Tribute's initial response and the "Grounds for further information" as outlined above. Attached, please find a letter addressed to HCFA from FKS responding to the information in Item #1 above along with an updated and correct map. Please replace the map on Page 23 of 23 under the above-noted section with the attached map.

Item #2

Reference: Binder B3 – Sections E11 – Pages 10-12 – EMERGENCY WATER

RESPONSE PLAN

Preamble:

Water Mobilization states “If necessary water storage tanks would be provided in order to ensure that enough water is available”.

Question 2.5:

4a) Does Tribute and the landowners have a written agreement that portable storage tanks would be a permanent solution for a long term water problem?

4b) If no, what would be a mutually agreed solution to a long term well water problem?

Answer:

There is no written agreement that portable storage tanks would be a permanent solution. The company considers it highly unlikely that there would be a long term water problem given industry experience and the drilling methods currently proposed for the project.

Grounds for further information –

Tribute did not answer Q 4b.

Follow-up Answer:

4b)

The likelihood of any of our activities - specifically our drilling activities, causing a long term water problem, is extremely remote. However, in the extremely remote event of a problem, storage tanks, water treatment, or drilling wells into alternative aquifers are possible alternatives. No aquifers are going to be affected by installing sub-surface gathering or connecting pipelines. It should be noted that the company had in-depth discussions with the landowner group at the pool concerning water emergencies and satisfied their concerns.

Item #3

Reference: Binder B4 – Section B1 – Page 3 – Lines 1-33

Preamble:

Tribute indicates they are willing to have insurance coverage if the OEB requests it in a Condition of Approval.

Question 2.5:

5a) Please indicate what types of insurance Tribute is willing to carry on this project.

5b) What are the appropriate amounts of each type of insurance Tribute is willing to carry?

Answer:

The Applicant will carry appropriate builders' risk insurance during construction and general liability insurance at all times.

Grounds for further information –

“Builders risk insurance” is not a familiar insurance term recognized by HCFA that needs to be clarified.

For the Tipperary Storage Project, by OEB order, Tribute was required to “obtain and maintain in full force and effect insurance coverage, including but not limited to, liability and pollution coverage”.

HCFA seeks clarification if pollution coverage will be carried on this project.

Follow-up Answer:

The storage company will have an independent 3rd party (“Marsh Canada Limited”) prepare a report outlining the required amount of insurance for the construction and operation of the facility. The report will specify the types of insurance and the level of coverage required.

As with similar projects developed in the past, the required insurance is likely to include builders' all risk and Wrap-Up Liability insurance. Builders' all risk insurance, which is otherwise known as Course of Construction (“COC”) insurance, covers the Project related property assets. Wrap-Up Liability insurance protects against bodily injury and property damage to innocent third parties. Both policies are Project specific insurance policies and will cover the Owner, all the contractors, sub-contractors, and consultants etc. It can be expected that the report will also include requirements for General Liability and Pollution coverage.

Item #4

Reference: DIL – 3 – WELL DRILLING LICENSE

Preamble:

Question 3.4 – 1a:

How much bonding has the MNR required Tribute to provide for each of the new wells being proposed in this project?

Answer:

Bayfield Resources Inc, has posted bonding security in the amount of \$36,000 to meet its current bonding requirements.

Grounds for further information –

It appears Tribute did not interpret the question properly, as HCFA was asking about bonding on the Bayfield/Stanley future proposed wells, NOT current bonding requirements. It is important to know there is sufficient bonding in place to protect landowners as they can become liable for decommissioning wells under certain circumstances.

Follow-up Answer:

As the Bayfield/Stanley future proposed wells are currently Licensed with the MNR, although they have not yet been drilled, the response above applies to these proposed wells, as was asked in Question 3.4 – 1a originally. The response remains the same, \$36,000 of bonding has been paid to the MNR for the seven proposed Bayfield/Stanley wells. A copy of the MNR Security Deposit Report dated April 24, 2012 has been provided as an attachment to these responses for your reference and review.

It should also be noted that Bayfield Resources Inc. will be working with the MNR to correct one MNR error and one MNR omission on the attached MNR Security Deposit Report. Namely, the third well noted on the list of wells, "Bayfield Resources et al #2 (Horiz.#1) Stanley" has been recorded as being ">450M<800m" in the table at the top of the report (6 wells at this depth costing \$6,000 in bonding each), however, this well is actually ">800m" and should therefore cost \$10,000. We will be working with the MNR to correct this error and will be increasing the bonding payment by \$4,000 to a total of \$40,000 for all proposed and licensed wells. The omission to be corrected is that there are in fact eight proposed wells, one of the Lateral wells has been omitted from this Report. The name of the Lateral well that has been omitted is "Bayfield Resources et al #3 (Horiz.#1) Lat #1 Stanley". There is no bonding requirement for lateral wells as they are "offshoots" of the main horizontal legs and as such, no further bonding will be payable for the addition of this well to the listing.

Item #5

Reference: Binder B4 – Section B5 – Page 1 – Pipe Specs

Preamble:

Evidence that both Cat 1 and Cat 2 pipe will be used along the road allowances.

Question 4.2:

2a) What is the proposed depth below surface for the 16" high pressure roadside pipeline?

2b) How much weight can Cat 1 & Cat 2 pipeline support before jeopardizing its integrity resulting in safety issues?

2c) Will there be any restrictions placed on landowner from crossing this pipeline with heavy equipment (particularly where ditches are flat and no improved entrances are immediately available)?

Answer:

The pipeline will be designed and installed as per CSA Z662.11: Oil and Gas Pipeline Systems which details burial depths in all installations. The code specifies burial depths (to top of pipe) along both the edge of the road allowance and the travelled portion of the road allowance. The depth of burial listed in the Pipeline Design Specifications sheet are to the top of pipe and are designed to allow heavy equipment crossing over the pipeline. If there are sections of the road allowance where farm equipment gets access to fields without culverted accesses, Tribute will install the pipeline with "Road Crossing" depth of burial.

Grounds for further information –

Tribute's answer to 2a, 2b, & 2c, did not include the requested information.

The term "road crossing" depth is vague and meaningless and we need answers that are specific with respect to depth, weight, and possible restrictions.

Follow-up Answer:

"Road crossings" refer to that area where the pipeline is directly under the travelled portion of the road, and includes the gravel shoulder areas. "Along Road Allowances" refers to all other areas within the municipal road allowance and includes ditches, creeks within the road allowance, etc. While running within the road allowance and parallel to the travelled portion of the road the pipe will be buried so that the top of the pipe is at least 1.5m below the road allowance at that point. If the pipeline is installed under the deepest part of the ditch, the top of pipe will be at least 1.5m below the deepest part of the ditch. When the pipeline crosses the road allowance, the pipe will be installed either 1.5m below the deepest part of the ditch or 2m below the gravel shoulder, whichever is deeper.

If the native material in the road allowance is sharp and rocky, the pipeline will be initially backfilled with sand to protect the external coating from damage. The trench will be compacted with the backhoe/dozer that is doing the backfilling, and the trench will be crowned to allow for settling of the material within the trench. Once the trench has settled, it will be seeded to help retain all backfill material.

The only concern for farm equipment or other heavy machinery will be during very wet periods where farm equipment is driving over top of the trench. The only concern here will be creation of ruts that could destabilize the general area leading to erosion. The pipeline has sufficient collapse strength to withstand the weight of farm equipment travelling over the pipeline provided that the cover depths specified in the schedules are maintained.

Item #6

Reference: Binder B3– Section E9 – Pages 33, 44, 137, 215 & 226

Preamble: These 5 pages show large unidentified additional payments to certain landowners (not all) who form the Bayfield DSA which totals \$118,132.00 A similar situation is also outlined in Binder 2 for the Stanley Pool (E8 – pages 46-74).

Question 4.3 - 3:

3a – Please identify in detail what these payments represent?

3b – Why weren't all landowners in the DSA given additional payments?

Answer:

a. These payments represent a negotiated settlement with the landowners presented to Tribute by the landowners association. This settlement took into account a number of factors that were important to the landowners and the breakdown was agreed to by the landowners association. Tribute examined the amount requested in aggregate and approved the payments upon designation of the pool by the Ontario Energy Board.

b¹. The breakdown of payments was decided by the landowners association. Tribute was presented with the total to be paid as part of a package negotiation.

Grounds for further information –

Tribute's answers to 3a & 3b are rather generic in nature and do not properly answer the questions.

The evidence is clear that these additional payments referred to are not part of the normal compensation for inside and outside DSA acres, wellheads, roadways, surface occupation etc. Tribute's evidence states in many places that the reservoir pressures are below 50 psi and that there are no residual gas payments due to landowners.

Tribute states in the evidence that these one-time payments will be calculated by Tribute and explained and delivered individually to each landowner" so Tribute must know exactly what these payments represent.

HCFA is concerned that these additional unidentified payments are setting a new precedent in landowner compensation in Ontario that was NOT enjoyed by previous DSA landowners, but should at least be enjoyed by any future DSA landowners as more natural gas storage projects are developed across Ontario.

HCFA notes that since the names of the recipients and the specific amounts of this additional compensation was published as evidence in the binders, that this issue does not fall under the confidentiality provisions laid out by the OEB.

Therefore, the HCFA requests these payments be identified in detail.

Follow-up Answer:

The Phase 2 gas storage project details were reviewed in detail by 9 of 10 directly affected landowners, through a confidential, negotiated process, which Tribute, in good faith to its partner landowners, will not breach or jeopardize. Tribute will continue to respect the outcome of that process and the confidential business relationships that have been cultivated through the completed negotiation and subsequently through meetings, landowner group dinners and periodic updates.

The written agreement that was reached speaks for itself. It is based upon factors of importance to the parties to the negotiation, as evidenced by their execution of the agreement, which Tribute emphasizes was a negotiated package with various trade-offs and compromises made by the nine parties to the agreement. No additional private or commercial information, originating from privately conducted discussions, culminating in the signed document among the parties, will be made public, even to a²broader, interested local agricultural industry association, presumably concerned with important broad agricultural impacts to livestock and land stewardship.

It is highly unusual, and inappropriate, for parties to a confidential negotiated process to unilaterally disclose details of the exchanges leading to a package deal; Tribute would have to be obligated by the OEB to disclose confidential, detailed information. Tribute believes such compelled disclosure will not deliver any consequential value necessary to meet and match the agricultural mandate of the HCFA broader membership, or the regulator making its decisions based on the larger public interest. Public dissemination of this type of confidential information does not necessitate, justify or outweigh the potential damage of forcing disclosure of privately negotiated deals between an energy company and its partner landowners in this case, and may harm or impair other similar negotiations.

Item #7

Reference:

Preamble:

Question 4.5:

Will there be any issues with the proposed industrial Wind Turbine Projects and the associated infrastructure in this area on Tribute's Gas Storage Project (i.e. storage lands and facilities, including equipment, pipelines, wellheads, compressor station etc.)?

Answer:

Please refer to responses for 4.5-1a and b.

Reference: Binder– Section E1– Page 87 – Wind Power Development in Huron County

Preamble: – Stantec mentions that there is a high probability of wind power development in Huron County. There is a second mention on Page 382 in a letter from Huron County Planning Department dated Dec 23, 2008 on Industrial Wind Turbines (IWT). It is now a fact that there are two IWT projects very close to development in the Municipality of Bluewater, the Nextera Varna Project – 37 IWTs and the Nextera Goshen Project – 63 IWTs. There is also a third project proposed in Bluewater belonging to Northland Power, and additional 48 IWTs. The two Nextera projects are in the same immediate area as the Tribute gas storage project and pipeline.

Question 4.5 - 1a:

Are you aware of these projects and the locations of the IWTs as related to your gas storage project?

Answer:

Tribute is aware of these two wind projects and their locations. Tribute is familiar with each of these companies and their representatives and will be meeting with them to discuss the locations for the injection and withdrawal wells, which are already planned and established. Tribute has already provided maps of the project locations, proposed well locations and DSA's to Nextera for the Bayfield and Stanley pools, as well as other potential future development pools (Zurich, Canton Shoal, Dashwood, Grand Bend, etc.). Tribute is in the process of arranging meetings to discuss these maps and the interaction of both projects.

It is not anticipated that there will be any major constraints in respect of both projects being located on the same lands or use of municipal rights of way. The base of each IWT occupies less than one acre and usually only one turbine is located on 50 – 100 acres of land. Additionally, IWT foundations usually excavate and remove subsoil for several meters in depth, but in no way does that activity affect drilling, casing and cementing and gas injection and withdrawal operations, which extend well into bedrock. IWT

locations are subject to changes through the REA process and even up until the time of construction. As well, the connecting pipeline network will be limited and will be all underground, with a coordinated effort to ensure compatibility and non-interference with the underground electric infrastructure.

It may be possible that there is an opportunity for Nextera, Tribute and Northland to work together in terms of road placements for the facilities, which work well for our joint landowners.

Question 1b:

Do you foresee any issues that the IWT projects could have on the gas storage project? i.e. safety issues, construction issues, sharing of municipal road allowances where pipelines and hydro lines (underground and above ground) share the same road allowance, the location of IWTs relative to the DSA lands or the proposed compressor station land.

Answer:

Please refer to the Answer to Question 4.5 - 1a above.

Grounds for further information –

Tribute's answer states that they are aware of the two industrial wind turbine (IWT) projects and their locations; however, neither Tribute nor Stantec has bothered to provide any evidence or mapping regarding the locations or separation distances between the wind generators and the high pressure natural gas wellheads, underground power lines and the high pressure natural gas transmission lines, substations, transformer stations, compressor stations, cathodic protection devices and collection apparatus that automatically disburses natural gas into the atmosphere, etc.

HCFA finds the answers vague, lacking in specific detail and unacceptable.

HCFA's submission on July 18/12 provided 10 pages of EVIDENCE from Wm. Palmer, P. Engineer, outlining risks associated with wind generators being built too close to natural gas storage infrastructure. At the same time, the HCFA requested clarification on 8 points of interest. TRIBUTE DID NOT REPLY.

⁴Both the HCFA and the Municipality of Bluewater have requested additional information from Tribute regarding the interactions between Tribute's proposed natural gas storage facility and the proposed wind generating facilities. In the words of HCFA's consultant, Wm. Palmer, P. Eng., the evidence provided so far "provides no confidence that the interaction has been dealt with" and that this gas project should not be allowed to move forward on a "trust me" basis.

HCFA specifically requested this issue be added to the Issues List because of the associated risks to public safety.

In closing, The HCFA respectfully requests a 10 day period to be able to comment on Tribute's answers after they are received.

Follow-up Answer:

Tribute did not reply to the previous interrogatory requests as they were received outside the OEB procedural order timetable and there was no provision for responses until the HCFA motion was received and counsel agreed that Tribute would reply at this time.

Tribute remains willing to assist in responding to the questions where possible.

As previously mentioned, Tribute has provided maps of the storage pool locations along with all proposed well locations to NextEra, whose projects are in the "same immediate area" as the Bayfield and Stanley storage pools and proposed pipeline infrastructure. NextEra has provided Tribute with draft maps detailing prospective turbine, access road and electrical connection locations, none of which poses any concern to Tribute whatsoever. Indeed, the Bayfield gas storage site has no facilities related to the wind farm located anywhere near the Bayfield pool. The NextEra map shows the Stanley pool, which features two wind turbines on the perimeter boundaries of the underground pool. None of Next Era's associated facilities or access roads pose any problem to Tribute's proposed facilities.

Tribute representatives met again with NextEra representatives on Friday, September 7th to continue discussions regarding the interaction of both wind and gas storage projects. Information was exchanged by the parties on both projects to ensure that the projects are modelled to be in compliance with all environmental and safety standards, including setbacks, which are needed for both project approvals. The existing setbacks for wind generation facilities from wellheads are required to be met in order to receive the Renewable Energy Approval ("REA") for all wind projects, and such projects will not proceed if these standards are not met.

The relevant considerations in terms of setbacks related to wind farm and other oil and gas related activities may be referred to as follows:

- Section 10.2(1) of the *Oil, Gas and Salt Resources Act*
Prohibition on construction, etc.
10.2 (1) No person shall erect, locate or construct a building or structure of a type prescribed by the regulations within 75 metres of a well or facility unless the well or facility has been decommissioned in accordance with this Act and the regulations. 2006, c. 33, Sched. W, s. 1.
- There is also reference to setbacks in the Section Approval and Permitting Requirements Document for Renewable Energy Projects
<http://www.mnr.gov.on.ca/stdprodconsume/groups/lr/@mnr/@renewable/documents/document/277097.pdf>
- Section Approval and permitting Requirements Document for Renewable Energy Projects

<http://www.mnr.gov.on.ca/stdprodconsume/groups/lr/@mnr/@renewable/documents/document/277097.pdf> **7.8 Petroleum Resources Operation Setback:** Development is not permitted within 75 metres of a petroleum resources operation, unless the applicant submits an engineers report demonstrating that there are no effects to the development. Well location information can be obtained from the Ontario Oil, Gas and Salt Resources Library.

- It is also noted at the top of Page 30 of the Technical Guide to Renewable Energy Approvals http://www.ene.gov.on.ca/stdprodconsume/groups/lr/@ene/@resources/documents/resource/stdprod_088422.pdf?bcsi_scan_b188b7305b22cf96=0&bcsi_scan_filename=stdprod_088422.pdf

Tribute remains entirely satisfied that its local underground gas storage projects will co-exist peacefully and operationally with NextEra's wind projects. The gas storage projects will continue to be planned and constructed in compliance with all provincial standards, including the above regulatory requirements and in accordance with the expectations of all the affected landowners, whether they be wind farm participants, gas storage participants or any other landowner.

Public safety and regulatory compliance remains paramount in all of Tribute's energy development activities.



*F.W. Farncomb, OLS (1889-1931)
J.E. Farncomb, OLS, P.Eng (1931-1973)
R.W. Kirkpatrick, OLS (1960-1998)
R.D. Stirling, B.Sc., OLS, CLS
Daniel D. Caldwell, CST
Garry McWhirter, CST
Notes & records of H.L. Van Pelt and M. Fraser, OLS*

September 12, 2012

Huron County Federation
Of Agriculture
P.O. Box 429
Clinton, ON N0M 1L0

File: 09-013

Dear Marinus Bakker

Re: Tribute – Lobo to Bayfield Pipeline Project

I am writing to you in regards to the Bayfield storage project development. On our sketch page 23 of 23, we regret to inform you that the geographic information shown is incorrect.

It currently shows Mill Road as the division line between the geographic townships of Stanley and Goderich. However, as stated in Item 1 of your letter to Ontario Energy Board, dated September 6, 2012 the lands shown on the sketch are entirely within the geographic township of Stanley, now Municipality of Bluewater.

Sorry for any inconvenience to you. Our sketch has been amended accordingly.

Yours truly,

FKS Land Surveyors

Garry McWhirter
FKS Land Surveyors

cc: Tribute Resources Inc.



Security Deposit Report

Client Name: Bayfield Resources Inc.
Address: 309 Commissioners Road West, Unit E
City: London, Ontario
Postal Code: N6J 1Y4
Phone: 519-657-2151 **Fax:** 519-657-4296
Email Addr:
Contact: Jane Lowrie

Trustee Name: Giffen & Partners
Address: 465 Waterloo Street
City: LONDON, ONTARIO
Postal Code: N6B 2P4
Phone: (519)679-4700 **Fax:** (519) 432-8003
Email Addr:
Contact: Brenda Poirier

	Historical	Private Use	LPG Storage	Lateral	<450m	>450m<800m	>800m	OffShore
Req.Per Well	0	0	0	0	3000	6000	10000	15000
No.of Wells	0	0	0	1	0	6	0	0
							Max.Required	\$70,000.00
							Required	\$35,000.00
								\$200,000.00
								\$0.00

Total Security/Trust Balance	\$36,000.00	Number of categorized wells	7
Total deposit required	\$36,000.00	Number of uncategorized wells	0
Surplus/Shortfall	\$0.00		

Category	Licence No	Status	Well Full Name
>450m<800m	U001495	Licensed - Not Drilled	Bayfield Resources et al #1, Stanley 9 - 7 - 1
>450m<800m	U001496	Licensed - Not Drilled	Bayfield Resources et al #1(Horiz.#1), Stanli
>450m<800m	U001497	Licensed - Not Drilled	Bayfield Resources et al #2 (Horiz.#1), Stanl
Lateral	U001498	Licensed - Not Drilled	Bayfield Resources et al #2 (Horiz.#1,Lat.#1
>450m<800m	U001499	Licensed - Not Drilled	Bayfield Resources et al #3 (Horiz.#1), Stanl
>450m<800m	U001501	Licensed - Not Drilled	Tribute et al #25 (Horiz.#1), Stanley 3 - 7 - X
>450m<800m	U001502	Licensed - Not Drilled	Bayfield Resources et al #4, Stanley 4 - 7 - >