



ONTARIO ENERGY BOARD

STAFF SUBMISSION

Union Gas Limited

Application for Leave to Construct Natural Gas Pipelines Thunder Bay Project

EB-2012-0226

and

Application for Certificate of Public Convenience and Necessity

EB-2012-0227

February 6, 2013

Introduction

On April 27, 2012 Union Gas Limited (the "Applicant" or "Union") filed two applications with the Ontario Energy Board (the "Board").

The first application, filed pursuant to section 90 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B, requested an order granting leave to construct approximately 19 kilometres of nominal pipe size ("NPS") 16 (16 inch diameter) steel pipeline and 13.0 kilometres of NPS 12 (12 inch diameter) steel pipeline from TransCanada Pipeline's ("TCPL") valve site in Gorham Township ("Gorham") to the Ontario Power Generation ("OPG") gas fired Thunder Bay Generating Station on Mission Island in the City of Thunder Bay ("Leave to Construct Application"). The gas fired station was planned as a result of the conversion of the existing Thunder Bay coal fired peaking generating station to gas fired generation. The Board has assigned the Leave to Construct Application file number EB-2012-0226.

The second application is for a Certificate of Public Convenience and Necessity ("CPCN") to construct works to supply gas to the residents of the unincorporated Township of Gorham in the District of Thunder Bay. This application is filed under section 8 of the *Municipal Franchises Act*, R.S.O.1990, c.M.55, as amended. The Board has assigned the CPCN application file number EB-2012-0227.

On November 19, 2012 Union filed a letter with the Board indicating that it wished to revise its Leave to Construct Application (EB-2012-0226) ("Revised Application") as a result of the discontinuation of the conversion of the coal fired Thunder Bay Generating Station to natural gas by OPG. Union stated that on October 31, 2012, OPG announced that it had terminated its contract with Union to supply gas to the Thunder Bay Generating Station.

Based on the termination of the gas supply contract by OPG, Union withdrew the request to construct a section of the natural gas pipeline connecting the Belrose Station to the Thunder Bay Generating Station. However, Union indicated that the replacement of pipelines between Onion Lake Station and Belrose Station remains necessary as the

replacement pipeline is needed to ensure the continued safe and efficient operation of the Thunder Bay system¹.

Revised Leave to Construct

The revised Leave to Construct Application is for the construction of approximately 17 kilometres of NPS 12 steel pipeline to replace the NPS 10 Thunder Bay Lateral pipeline between Onion Lake Station and Belrose Station. The Revised Application deals with the same route for the construction of pipeline but is a smaller diameter pipe. As such, Union did not file any further evidence regarding the route. As part of the Revised Application, Union filed updates to its evidence on the proposed construction schedule, design and pipe specification and construction costs.

Union is proposing to commence construction of the pipeline in May 2013. The planned in-service date is November 2013.

Certificate of Public Convenience and Necessity

Union did not file any revisions to the CPCN application.

The Proceeding

The Board issued a Notice of Revised Application on December 7, 2012. Union served and published this Notice as directed by the Board. No party applied for intervenor status or requested an oral hearing. Board staff and Union are the only participants in this proceeding. The Board issued Procedural Order No. 2 on January 15, 2013 which set a schedule for a written proceeding.

Board staff filed written interrogatories on January 21, 2013 and Union provided responses on January 28, 2013.

¹ Union's Thunder Bay system is a network of extra high pressure pipelines that supplies the entire Union's distribution network in Thunder Bay service area. It is fed from a connection to the TCPL system at TCPL mainline valve #67 known as the Thunder Bay Onion Lake tap. (Union's Application, Prefiled evidence, dated April 21, 2012, Schedule 2, page 5 of 26)

Board Staff's Submissions

Board staff submit that they have no issues regarding the CPCN application and support Union's request for a CPCN for the Township of Gorham.

The submissions below deal only with the leave to construct application and address the following: the need for the project; project economics and ratepayer protection; environmental assessment and pipeline design; land issues and conditions of approval.

The Need for the Project - EB-2012-0226

The need for the project is based primarily on the requirement to replace the existing pipeline due to integrity concerns². The existing pipeline has been subject to a Pipeline Integrity Management Program initiated by Union in 2002 ("Integrity Program"). The Integrity Program was developed and implemented to ensure that pipelines are in accordance with the Canadian Standards Association (CSA) standard for *Oil and Gas Pipeline Systems*, CSA Z662, which was adopted by the Technical Standards and Safety Authority (TSSA) by Ontario Regulation 210/01 for the pipeline systems in Ontario.

Union has been systematically assessing the integrity of approximately 2,800 km of pipelines that operate at or above 30% of the Specified Minimum Yield Strength (SMYS). Union has been and will continue to implement mitigation plans to address identified integrity issues.

With regard to this particular pipeline the key integrity issue identified is advanced stress corrosion cracking (SCC) at the joints along the full length of the pipeline. Union stated that replacement of the pipeline was the most effective and practical way to mitigate the risk of the SCC.

In addition to addressing the issue of SCC by replacing the pipeline, according to Union's evidence, the proposed upside of the replacement pipeline will address the need for

² Integrity refers to potential corrosion, loss of pipeline wall thickness or other potential deterioration that may affect the operation of the pipeline.

increased capacity to meet the minimum inlet pressure in the southern part of Thunder Bay, which is fed from Belrose Station. Specifically, Union stated that the proposed increase in diameter of the replacement pipeline from 10 inch to 12 inch diameter will provide an additional 24,000 m³/h of capacity and will resolve low pressure issues on peak temperature design days. In Union's evidence this additional capacity translates to approximately 3,200 residential houses as potential additions to customer base.

Board staff has no concerns regarding the need for the replacement and upsize of the Pipeline.

Project Economics and Ratepayer Protection

According to Union's evidence, the estimated capital cost of the replacement pipeline is about \$26,726,000. Union's evidence is that the Thunder Bay Replacement project economics have not been completed because there are no new customers to provide revenue associated with the project.

In response to Board staff interrogatory # 1 Union stated that the cost of the Thunder Bay Replacement project will be managed within the overall capital budget envelope agreed to in Union's rates case EB-2011-0210 and in accordance with Union's 2013 Board-approved cost allocation study.

In light of the above, Board staff submit that there would be no additional impacts on ratepayers beyond what was approved by the Board in the most recent rates proceeding.

Environmental Assessment and Pipeline Design

Board staff submits that the pipeline route selection and environmental assessment performed by Union were completed in accordance with the *Environmental Guidelines for the Location, Construction and Operation of Hydrocarbon Pipelines and Facilities in Ontario, 6th edition, 2011* ("OEB Environmental Guidelines"). The results of the routing and environmental assessment are presented in an Environmental Report entitled *Thunder Bay Generating Station Pipeline Project, October, 2011* ("ER"). The ER was completed by Stantec Consulting Inc. ("Stantec") and was submitted as part of the pre-filed evidence. No outstanding environmental or construction issues were identified.

Union stated that it would implement all of the recommendations in the ER. Board staff therefore has no issues with respect to the environmental assessment.

With respect to pipeline design, Board staff notes that, according to Union's evidence the design specifications for the pipe, including design factors for class location and hydrostatic testing, meet the requirements of Ontario Regulation 210/01 under the *Technical Standards and Safety Act 2000*, Oil and Gas Pipeline Systems. In addition, Board staff notes that Union confirmed that it would follow the Technical Standards and Safety Authority Pipeline Abandonment Checklist for the abandonment procedures for the existing pipeline which is being replaced. As such, Board staff has no issue with respect to the pipeline design.

Land Issues

Union's evidence states that the majority of the replacement pipeline will use existing easements with 66 directly affected properties with the exception of 2 locations where Union will require a new easement agreement. Union has reached agreements on permanent and temporary land rights with all except one landowner along the route of the replacement pipeline.

Board staff notes that Union has confirmed that it has offered or will offer to each owner of land affected by the approved route or location an easement agreement in a form approved by the Board, pursuant to section 97 of the Act. Union filed the approved form of the easement agreement in Schedule 19 of the prefiled evidence.

In response to Board staff interrogatory # 5 Union stated that it had been negotiating with the one unsigned landowner to obtain Temporary Land Rights for 9.0m x 40m (0.036ha) area. Union further noted that it was confident that the negotiations would be successful. Board staff requests that Union provide an update on these negotiations in its reply submissions.

At this time, Board staff submits that although Union has not obtained all of the land rights required, Union is committed to ongoing negotiations and expects to obtain all land rights and crossing and work permits prior to construction commencement. In this regard, Board staff notes that Union has agreed, in response to Board staff Interrogatory #6, to comply with the following condition which address other approvals and permits to be obtained by Union:

4.1 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.

Based on Union's acceptance of the above noted condition of approval Board staff submits that it has no concerns with the land issues.

Conclusion

Board staff supports the construction of the proposed replacement pipeline as set out in the Revised Application and the granting of a CPCN for Gorham.

Board staff submits that the approval of the leave to construct should be subject to standard conditions of approval attached as Appendix A to these submissions. The proposed conditions were reviewed by Union and Union stated it had no concerns.

Appendix A

to

Board Staff Submissions

EB-2012-0226

EB-2012-0226

**Union Gas Limited
Leave to Construct Application**

**Board Staff Proposed
Conditions of Approval**

1 General Requirements

- 1.1 Union Gas Limited ("Union") shall construct the facilities and restore the land in accordance with its Revised Application and the evidence filed in EB-2012-0226 except as modified by this Order and these Conditions of Approval.
- 1.2 Unless otherwise ordered by the Board, authorization for Leave to Construct shall terminate December 31, 2013, 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 Union shall advise the Board's designated representative of any proposed material change in construction or restoration procedures and, except in an emergency, 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.
- 1.5 Within 15 months of the final 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.

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.

Enbridge 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.

4 Other Approvals and Agreements

- 4.1 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.