



ONTARIO ENERGY BOARD

STAFF SUBMISSION

Union Gas Limited

PANHANDLE PIPELINE REPLACEMENT (LAKESHORE) PROJECT

EB-2013-0420

March 14, 2014

Introduction

Union Gas Limited (“Union”) filed an application with the Ontario Energy Board (“Board”) on December 13, 2013 under section 90 of the *Ontario Energy Board Act, 1998, S.O. 1998, c. 15, Schedule B* for an order granting leave to construct approximately 13 kilometers of Nominal Pipe Size (NPS) 20 inch diameter Extra High Pressure steel natural gas pipeline, and associated facilities in the Town of Lakeshore, Ontario. Union plans to start construction in May 2014 for completion and in-service date in November 2014.

The proposed NPS 20 pipeline will replace approximately 13 kilometers of the existing NPS 16 Panhandle Line in the Town of Lakeshore from the west side of West Puce Road to the east of East Ruscom River Road.

These submissions of Board staff are being filed in support of Union’s application.

The Proceeding

The Board issued a Notice of Application and Written Hearing (the “Notice”) dated January 22, 2014. Union served and published the Notice as directed by the Board. There are no intervenors in this proceeding.

The Need for the Project

In accordance with provincial regulatory requirements, administered by the Technical Standards and Safety Authority, natural gas utilities, including Union, are required to implement pipeline system maintenance and integrity management programs to ensure safe operation of the system. The main driver for the need for replacement is to eliminate safety and reliability issues which were identified by internal pipeline inspections between 1999 and 2003 and in 2011 as part of Union’s integrity management program. Some of the identified deficiencies were eliminated between

1999 and 2013, however a replacement of the existing NPS 16 pipeline was deemed necessary for implementation in 2014.

Union's proposed an increase in the diameter of the pipeline from NPS 16 to NPS 20 for two reasons; an increase in density of dwellings in the vicinity of the existing pipeline ("Class Location")¹ and, secondly, to address future growth in gas demand in the areas served by the Panhandle System.

Project Economics

The estimated capital cost of the project is \$ 25.597 million. Union stated it has not completed a Discounted Cash Flow analysis for this project as the proposed project is underpinned by the integrity of the system requirements and there are no new contracts associated with this replacement. This approach has been approved by the Board in recent, similar, integrity based, leave to construct applications².

Environmental Assessment and Pipeline Design

The pipeline route selection and environmental assessment were completed in accordance with *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 *NPS 16 Pipeline Replacement West Puce River Road to East Ruscom River Road Environmental Report, December, 2013* ("ER"). The ER was completed by Azimuth Environmental Consulting Inc. ("Azimuth") and was submitted as part of the pre-filed evidence.

¹ Class Location is a classification set out by the CSA Z662-11 that is based on land use and population density along both sides of the pipeline route.

² EB-2012-0432 Union Gas Limited

The evidence indicates that there was extensive public and agency consultation, Ontario Pipeline Coordinating Committee (“OPCC”) review, and consultation with aboriginal groups. The consultation was consistent with the OEB Environmental Guidelines. Union’s evidence stated that there are no outstanding or unresolved issues relating to any of the consultations.

Union stated that the pipeline will be constructed in accordance with Union’s construction specifications and the recommendations set out in the ER. With Union’s commitment to the implementation of mitigation measures identified by Azimuth in the ER, Board staff notes that there should be no significant environmental impacts resulting from the construction and routing of the pipeline. Union completed a cumulative impacts assessment and concluded that after the land is restored upon completion of construction there would be no significant cumulative impacts of the project. No outstanding environmental or construction issues were identified.

Design specifications for the pipe, hydrostatic testing, the minimum depth of the pipeline cover, and Class Location design, according to Union’s evidence, meet the requirements of the Ontario Regulations 210/01 under the *Technical Standards and Safety Act 2000*, Oil and Gas Pipeline Systems and CSA Z662-11.

Regarding Class Location, the existing pipeline is located in Class 1, 2 and 3 categories. To address the increased potential safety risk, due to the growth and development along the pipeline route, the design specification for the new NPS 20 pipeline will be in accordance with Class 3 requirements. Union stated that the pipe will be manufactured to the CSA Z245.1-07 *Steel Line Pipe Standard for Pipeline Systems and Materials*.

Land Issues

Union is proposing to remove most of the existing pipeline and construct the new pipeline in the existing easement. Sections of the new pipeline will be located in a newly acquired easement, which is necessary to accommodate set back from the hydro towers and to address requests from some individual landowners. Union filed a form of easement agreement that has been or will be offered to all the landowners directly affected by the proposed pipeline.

Temporary land rights for a period of 2 years will be needed for a workspace along the pipeline route.

Union stated that negotiations with the landowners for easement rights are in progress. Board staff expects that Union will obtain all necessary land rights prior to construction. Board staff notes that Union is committed to implement its comprehensive Landowner Relation Program, including the Complaint Tracking System, to address and resolve any issues and concerns occurring during and after construction.

Conditions of Approval

If the Board grants the approval to Union's application, Board staff proposes that the Board establish standard conditions of approval attached as Appendix A to these submissions. Board staff expects that Union will comment on these proposed conditions in its reply submissions.

Conclusion

Board staff submits that the need for this project has been demonstrated by the applicant. Board staff has no outstanding concerns or issues with the application. Board staff further submits that the proposed conditions of approval be included as part of the Board's order in this matter.

Appendix A

to

Board Staff Submissions

EB-2013-0420

EB-2013-0420**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 application and the evidence filed in EB-2013-0420 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, 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 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.
- 1.5 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 the actual capital costs of the project and shall explain all significant variances from the estimates filed in the 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. 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.

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.