



ONTARIO ENERGY BOARD

STAFF SUBMISSION

Union Gas Limited

LEAMINGTON EXPANSION PIPELINE PROJECT

EB-2012-0431

February 27, 2013

Introduction

Union Gas Limited ("Union") filed an application with the Ontario Energy Board (the "Board") on November 23, 2012 under sections 90 and 97 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B (the "Act"), for an order granting Union leave to construct approximately 8.5 kilometres of Nominal Pipe Size 12 natural gas pipeline (the "Proposed Pipeline") in the Municipality of Leamington and the Town of Lakeshore, in the County of Essex. The Board has assigned the application file number EB-2012-0431. Construction of the Proposed Pipeline is planned to start in May 2013 in order to meet the required in-service date of November 2013.

The Proceeding

The Board issued a Notice of Application and Written Hearing (the "Notice") dated January 10, 2013. No person has requested intervenor status in this proceeding. The Board notes that Enbridge Gas Distribution Inc. requested observer status. On February 6, 2013, the Board received a letter of comment from Brookfield Renewable Energy Group ("Brookfield"). In accordance with the procedural schedule, Board staff filed interrogatories on February 8, 2013 and Union filed interrogatory responses on February 15, 2013.

The Need for the Proposed Pipeline

Union has received a number of requests for firm and interruptible natural gas service from greenhouse growers in the Leamington, Kingsville, Mersea Township and Gosfield South Township area. These requests have come from new greenhouse operations, greenhouses that operate on fuels other than natural gas, and from growers who want to switch from interruptible service to firm natural gas service.

Union has entered into negotiations with 18 customers ("Contract Customers") that account for 51% of the capacity of the Proposed Pipeline. Union stated that it would continue to sign contracts with growers until the Proposed Pipeline is at full capacity. Union stated that some growers have identified that they do not require additional

natural gas service at the present time but will require additional service in the near future ("Forecast Customers").

Union stated that although it is possible to only build for the Contract Customers that have shown an interest in the Proposed Pipeline, a more practical and economic approach is to build for the Contract Customers and the Forecast Customers.

Board staff submits that the evidence filed by Union supports the need for the Proposed Pipeline.

Project Economics

The upfront capital cost for the Proposed Pipeline is estimated to be \$8.2 million. Union has employed an economic feasibility test consistent with the "Ontario Energy Board Guidelines for Assessing and Reporting on Natural System Expansion in Ontario" set out in the Ontario Energy Board's EBO 188 "Report to the Board" dated January 30, 1998 ("EBO 188").

The Proposed Pipeline has a P.I. of 1.0 if it receives the \$2 million contribution from growers and would therefore pass the feasibility tests set out in EBO 188. However, there is no P.I. provided if the Proposed Pipeline does not receive the \$2 million contribution from growers.

All projects must achieve a minimum threshold P.I. of 0.8 for inclusion in a utility's Rolling Project Portfolio.^[1] The Rolling Project Portfolio must have a P.I. of more than 1.1. Union has stated that when the Proposed Pipeline is included in Union's 2013 new business investment portfolio, the resulting P.I. would be 1.14. Similarly, including the Proposed Pipeline in Union's rolling portfolio as at October 2012 would result in a P.I. of 1.43.

^[1] EBO 188, Report of the Board, January 30, 1998

Union stated in its Application that it is going to receive approximately \$2 million in contribution from growers. In Union's response to Board staff interrogatories, Union stated that if contract negotiations are unsuccessful and the Proposed Pipeline is completed without any contribution from growers, the rate impact on a typical residential customer in Rate M1 would be less than \$0.50 per year.

Board staff submits that given the stated purpose of the Proposed Pipeline is commercial in nature, namely to provide additional natural gas service to greenhouse growers, Union should be required to receive the \$2 million contribution from greenhouse growers before constructing the Proposed Pipeline. This would ensure that it meets a P.I. of 1.0 and there is no cross-subsidization from other ratepayers to support commercial operations.

Routing, Environmental Assessment, and Pipeline Design

The Proposed Pipeline will loop the existing North Leamington Line from the Comber Transmission Station to the County Road 14 Station. The Proposed Pipeline will be constructed on a road allowance from the NPS 20 Panhandle Line to County Road 8 and on the abandoned railroad corridor south of County Road 8. There will be modifications at the Comber Transmission Station and a connection to the North Leamington Line at the County Road 14 Station to facilitate the Proposed Pipeline.

The route selection for the Proposed Pipeline was 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 a report entitled *Leamington Expansion Project, Environmental Report* (the "ER"). The ER was completed by Azimuth Environmental Consulting, Inc. and was submitted as part of the pre-filed evidence.

Union stated that by following its standard construction practices and adhering to the mitigation measures identified in the ER, construction of this project will have negligible

impacts on the environment. No significant cumulative effects are anticipated from development of the Proposed Pipeline.

Union has stated that the design specifications are in accordance with the requirements of Ontario Regulation 210/01—Oil and Gas Pipeline Systems, made under the *Technical Standards and Safety Act 2000*.

In response to Board staff's interrogatory in relation to Brookfield's letter of comment, Union stated that it is aware that Brookfield has overhead and underground infrastructure crossing the Proposed Pipeline and Union has contacted Brookfield to begin planning the crossing of Brookfield's infrastructure. Union further stated that the planning process will develop protocols that will ensure that both Brookfield's and Union's facilities can co-exist and not impact each other.

Land Issues

The Proposed Pipeline will be constructed on private easement lands, road allowances and an abandoned railway corridor owned by the Municipality of Leamington. There is one private landowner that Union will require permanent land rights from for the Proposed Pipeline.

Union stated in its interrogatory responses that there is an agreement in principle with the private landowner and that the documents are currently being reviewed by the landowner's solicitor.

Union also stated that the anticipated timeline for obtaining all permits for location and construction is April 15, 2013.

Union filed with the Board a Pipeline Easement Agreement that Union will offer to the affected landowners.

Conditions of Approval

Board staff filed proposed conditions of approval (attached as Appendix A to these submissions) in Interrogatory #6. Union responded that it did not have any concerns with or objections to the proposed conditions.

Conclusion

Board staff submits that Union has demonstrated the need for the Proposed Pipeline. However, Board staff submits that since the purpose of the Proposed Pipeline is to provide additional natural gas service to commercial greenhouse growers, Union should be required to receive the \$2 million contribution from greenhouse before constructing the Proposed Pipeline which would ensure a P.I. of 1. 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-2012-0431

EB-2012-0431**Union Gas Limited
Leave to Construct Application****Board Staff Proposed Draft****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-2012-0431 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 members of the Ontario Pipeline Coordinating Committee ("OPCC").
- 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 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 and Agreements

- 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.